From: Ronald Kwan
To: Ronald Kwan
Subject: Bi-Weekly
Date: Thursday, October 26, 2017 1:00:18 PM
Attachments: Annotated Agenda Assoc-DM Bi-Weekly Oct 26 2017.docx

Bi-Weekly Update:
October 26, 2017

1. FHP

- Staff are continuing to work to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $800 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $495 million.

- 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).

- Other parts of the OFA and MOF Legal are working on the Change in Law Protection Agreement.

2. OLG Lottery Terminals Loan / Intercept

- The OFA is currently drafting loan agreement to provide the Ontario Lottery and Gaming Corporation (OLG) up to $85.7 million to finance the replacement and expansion of OLG's lottery terminals and network (LT&N).
    - A Directive from the Minister of Finance to the OFA for the LT&N loan was signed by the Minister of Finance in July 2017.

- Under the OFA Lending Policy, the loan agreement, and all loans to the OLG, should contain an intercept provision.

- In order to be compliant with the OFA Lending Policy as it is currently written, either the loan agreement must include an intercept provision or an exemption from the requirement to include an intercept provision could be sought.
    - Including an intercept provision, as per the lending policy, will require additional approval from the Minister of Finance as it would be necessary for the Ministry of Finance to agree to the terms of the intercept provision.
    - Alternatively, the Minister of Finance could direct the OFA on an exemption from the requirement to include an intercept provision.

3. Impact of the FHP on Certain NUGs

- Staff for OEFC have drafted a potential letter from the Minister of Energy to the Minister of Finance that would provide support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
    - This draft letter has been shared with Energy at a staff level on Oct 12 and to date there has been no response.

4. Constance Lake First Nation (CLFN) Meeting Request

- Meeting scheduling between the Chief and the Deputy for November 15.
- CLFN has approached ENERGY seeking capacity funding for their advisor for discussions with OEFC/MOF.
    - ENERGY has indicated that they are amenable to providing such funding, but is seeking MOF's input on such funding being provided.

5. Lakeview

- CEFD staff have submitted an update on the sale of the Lakeview lands as part of a quarterly Treasury Board report back on real estate transactions under asset optimisation.
    - On June 6, 2017, OPG announced that it had begun the sales process for the Lakeview lands.
    - A preferred bid has been selected and an agreement of purchase signed; however, the final price remains subject to negotiation following due diligence, with IO expecting the purchaser to exercise downward pressure once the site due diligence is completed.
    - IO remains confident that the fiscal target for the Lakeview lands will be achieved if not exceeded.
    - A proposed final closing date of March 30, 2018 has been accepted by the purchaser.
    - Minister's briefing on October 30 (what is role of GBED / IGB going forward?)

6. Trillium Trust: Brampton Update

- The regulation to allow for the dedication to the Trillium Trust of designated proceeds of about $108M from the sale of Hydro One Brampton was filed on October 20 and posted to e-laws by October 24.
    - With the filing of the regulation, Brampton Holdco Distribution Inc. will be required to pay these designated proceeds into the Consolidated Revenue Fund (CRF).
    - CEFD/OFA staff are working with GBED staff to move forward with the payment, tracking to occur this week.
    - Following payment, the Trillium Trust will be credited with $108M bringing the total amounts credited to the TT to about $5.4 billion.

- Additionally, the Minister of Energy will issue a shareholder declaration and resolution to direct the Brampton HoldCo to pay a dividend to the Province for the majority of the remaining funds currently being held in HoldCo's bank account.
    - The dividend is estimated at about $475M, but is subject to change.
    - GBED staff have communicated that a small buffer of funds (about $10M) will be held back in the Brampton Holdco to cover potential expenses.

7. Hydro One: OEB Transmission Rate Decision

Hydro One has filed a Motion to Review in which it is arguing against most of the OEB rulings.

8. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted as well as an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.

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Date: Thursday, October 26, 2017 1:00:18 PM
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    - Alternatively, the Minister of Finance could direct the OFA on an exemption from the requirement to include an intercept provision.

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    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted as well as an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.

From:	Deena Padamadan
To:	Ronald Kwan
Subject:	CEFD and MO | Bi-Weekly - draft Agenda
Date:	Monday, May 01, 2017 12:31:29 PM
Attachments:	Annotated Agenda MO May 2 2017 clean.docx Annotated Agenda MO May 2 2017 blackline.docx Recovery of Standstill NUG payments v5.docx

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Hi Ron,

Please find attached the draft Bi-Weekly Agenda (blackline and clean) for your review. Regarding the Recovery of Standstill NUG payments, a note is also attached that SPFB believes you would likely want to review for the topic.

Thanks,
Deena

ANNOTATED AGENDA
MO UPDATE: May 2, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection.

2. IESO Credit Facility – $975M for Market

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - The possibility was raised of the IESO relying on the existing $975M credit facility provided by the OFA to provide short term financing until the OPG SPV purchases the IESO regulatory asset.
    - One of the main uses of the $975M credit facility is to provide liquidity into the electricity market to support various initiatives including the Regulated Price Plan (RPP), the Rural or Remote Electricity Rate Protection (RRRP), the new Ontario Electricity Support Program (OESP), the various conservation programs and overall market liquidity.
    - The $975M facility was not intended to provide long-term financing.
- If IESO required longer-term financing, additional due diligence and considerations on term and rate, accounting treatment, and appropriate approvals would be required.
    - OEFC or OFA involvement (in addition to managing the Provincial borrowing plan, including for any capital contribution / equity injection into OPG) in providing short or longer-term financing would potentially require government policy approval and a revised Minister's Directive.
- In the Minister's Directive signed November 28, 2016, facilitates the lending agreement between the OFA and IESO until the end of 2019 and has the term restriction of 28 to 95 days, essentially providing short-term liquidity for the IESO.

3. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
    - OEFC Legal has advised that a direction would not be required for this, and that indication (via email or letter) from the MO would be sufficient for OEFC to initiate recovery over six months.
- In the past, for the recovery of retroactive payments to applicant NUGs (who were party to the lawsuit), the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months; no indication of approval was required from the MO as the letter was directly sent to the CEO of OEFC.
- Staff estimate that approximately $55 million in retroactive payments to standstill NUGs have yet to be recovered from IESO and that the additional interest cost of recovering over 6 months instead of recovering in one month as per OEFC's usual processes is $115,000.

OTHER ISSUES

4. FAA Section 28 Modernization

- An OFA/MOF/TBS working group has developed options for modernizing s.28 of the FAA.
- Proposed amendments to FAA s.28 have been drafted to:
    (i) give the Minister of Finance or the President of Treasury Board the authority to prescribe in regulation public entities or classes of public entities that would be subject to s. 28; and
    (ii) give the LGIC the authority to make regulations to define terms used in section 28 that are not already defined in the Act.

5. S. 28 Class Exemption for Colleges

- MAESD will be bring forward a formal request from their Minister to the Minister of Finance and the President of Treasury Board for a proposed regulation that exempts certain financing, operating and capital transactions from s. 28 approval requirements, based on pre-defined criteria/thresholds.

6. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance has been made.

7. FSCO – Stelco Pension Issue

- As part of a transaction that will allow Stelco to come out of bankruptcy, the parent of Stelco, US Steel, has proposed a sale to Bedrock Industries. This sale limits Bedrock's exposure to the pension plan liabilities.
- The Superintendent of FSCO will temporarily be the nominal administrator of Stelco's 5 pension plans and will be responsible for the related administrative contracts. As the Superintendent is also the regulator, he will subcontract this responsibility in a sole source contract to an administrator.
- The assumption of these contracts by FSCO will require Treasury Board and Minister of Finance s.28 approval.

EVELYN'S TL & HOW TURTWIG'S RUN DECLINE RISKS

1. Green to Sun Hyph-eFlow – Equity Injection

Staff from ECB, ESM, capital markets, Ministry of Finance, and DPG's extensors discuss the mechanics behind an equity injection between the Frontiera and DPG in connection with the Green to Sun Hyph-eFlow.

- The ECB, and FAO, staff are working to establish briefly and make required on the financial agreements on the equity injection.

2. IESO Credit Facility – METRA for Horizon

- IESO raised the potential requirements for financing the Tan'h-yrtle Nexxeo Horizon.
  - The possibility may vacant of the IESO relying on the existing METRA credit facility to purchase the Horizon Nexxeo, without securing additional funding, to purchase the IESO regulatory asset.
  - One of the main uses of the METRA credit facility is to provide liquidity into the wholesale electricity market when the Independent Electricity System Operator (IESO), the Fixed-or-Outlook Electricity Grid® standard (EGSO)® (the new Ontario Electricity Grid Operator Standard (OEGS)), the various conservation programs and overall market liquidity.
  - The METRA facility was not intended to provide long-term financing.
- Discussions between the IESO and Horizon Nexxeo are ongoing on the commitments, on term and rate, accounting treatment, and appropriate approvals would be required.
  - An IESO involvement (in addition to managing the Frontrad borrowing) plans including for any capital contribution / equity injection into DPG's operating short or long-term financing could potentially require government policy decisions and approvals from Cabinet.
- In the Minister's Directive signed December 20, 2043, facilitates the lending arrangement between the IESO and Horizon Nexxeo, with a maximum loan resolution of 20-to-90 days, essentially providing short-term liquidity for the IESO.

[redacted]

1. [redacted] [redacted] [redacted]

Slide 4 – BNM Wins Court Hedging

- Manitoba is planning to hedge its load creek by entering into financial derivatives contracts with Canada's rail largest banks. In order to do so, Manitoba must obtain approval of its proposed investments by law until a new Minister of Finance is appointed.
- A formal request from the Minister of Transportation to the Minister of Finance has been made.

Slide 5 – PCCO – Debtor/Pension Issue

- As part of a transaction that will allow Debtor to come out of bankruptcy, the parent of Debtor, PCCO, has agreed to assume responsibility for the Debtor's Pension Plan Funded in Insurance in the pension plan liabilities.
- PCCO has also agreed to indemnify the pension trustee administration of Debtor's Pension plans and will be responsible for the related administrative expenses of the pension plans. Debtor's Pension Plan Funded will indemnified this responsibility if a debt event is limited to an administrator.
- The transaction proposed by PCCO will require Treasury Board and Minister of Finance's (B) approval.

Recovery of Standstill NUG payments

Issue

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
    - Staff estimate that approximately $55 million in retroactive payments to standstill NUGs have yet to be recovered from IESO.

Proposed Response

- ADM to discuss with MO at MO biweekly.
    - OEFC Legal has advised that a direction would not be required for this, and that indication (via email or letter) from the MO would be sufficient for OEFC to initiate recovery over six months.

Context

- On January 19, 2017, the Supreme Court of Canada dismissed OEFC's application seeking leave to appeal an April 19, 2016 decision by the Ontario Court of Appeal.
    - The Ontario Court of Appeal decision dismissed OEFC's appeal of the March 12, 2015, lower court decision that found that OEFC had not properly calculated the price paid for electricity under 12 PPAs ("applicant NUGs")

- As all avenues of appeal have been exhausted, OEFC is required to make payments to several NUGs with similar price provisions to the Applicant NUGs that entered into Standstill agreements with OEFC.
    - By entering into the standstill agreements, the Standstill NUGs and OEFC avoided litigation being launched in the wake of the March 2015 decision.
    - The Standstill agreements preserve the rights of the NUGs that would otherwise have been lost or impaired by the reason of the passage of time unless they started litigation against OEFC at that time.

- OEFC's full PPA costs are recovered from ratepayers, including any payments OEFC is required to make as a result of legal proceedings.
    - This recovery is done through the monthly settlement process through the IESO.

- For the recovery of retroactive payments to applicant NUGs, the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months in order to ensure more consistent treatment across electricity consumer classes in relation to the impact of the recovery.
    - Accordingly, OEFC recovered the retroactive amount in three installments.
    - Retroactive payments recovered from the IESO totalled approximately $181.48 million.
    - At the time, no approval was required from the DM or the Minister as the request was sent directly to an officer of OEFC.

Staff Comments

- The request from the Minister of Energy asks that the Minister of Finance direct OEFC to recover payments over 6 months.
  - Such direction is not necessary, but concurrence from the Minister would be appropriate.
  - Concurrence can come in writing or via email from MO to the VP of OEFC.
  - For applicant NUGs, the Deputy Minister of Energy sent a letter to the CEO of OEFC.

- The longer recovery period will incur some carrying costs, but OFA short term borrowing rates, which would apply to this amount, are less than one per cent on an annualized basis.
  - Assuming a one per cent interest rate, staff estimate that total interest costs will be approximately $115,000 for a retroactive recovery of $55 million over a 6 month period instead of recovering this amount in one month, which would be OEFC's usual process.
  - Given Energy support for the longer recovery, these nominal interest costs may be justifiable from a policy perspective even though incurring these costs is not within OEFC's mandate.

Strategic Project Finance Branch
Corporate and Electricity Finance Division
April 28, 2017

From:	Deena Padamadan
To:	Ronald Kwan
Cc:	Gavin He
Subject:	CEFD and MO | Bi-Weekly - draft Agenda
Date:	Friday, May 12, 2017 2:04:38 PM
Attachments:	Response to April 19 letter from ENERGY v4.docx Recovery of Standstill NUG payments v8.docx 5171mc-2017-24.pdf Annotated Agenda MO May 15 2017draftMarkup.docx Annotated Agenda MO May 15 2017draftClean.docx

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Hi Ron,

Please find attached the draft Bi-Weekly Agenda (blackline and clean) for your review.

Regarding the Recovery of Standstill NUG payments, SPFB has attached a few docs you might want as well. These include the letter SPFB is proposing in response to the Minister of Energy's letter, the accompanying note as well as the incoming letter.

Thanks,
Deena

Ministry of Finance

Office of the Minister

7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Telephone: 416-325-0400
Facsimile: 416-327-0374

Ministère des Finances

Bureau du ministre

7e étage, Édifice Frost Sud
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Téléphone: 416-325-0400
Télécopieur: 416-327-0374

Ontario

DRAFT

May xx, 2017

The Honourable Glenn Thibeault
Minister of Energy
900 Bay Street, 4th Floor
Toronto ON M7A 2E1

Dear Minister Thibeault,

I am writing in response to your letter dated April 19, 2017, requesting that I direct the Ontario Electricity Finance Corporation ("OEFC") to recover over a six month period the additional payments it is required to make to non-utility generators (NUGs) representing seven contracts ("Standstill NUGs") following the conclusion of the appeals process with respect to the Superior Court of Justice's decision in *Iroquois Falls Power v. Ontario Electricity Financial Corporation*. These NUGs entered into standstill agreements with OEFC in spring 2015, in lieu of initiating court proceedings.

I concur with your proposal that the OEFC recover the cost of the additional payments for Standstill NUGs over a six month period through the Independent Electricity System Operator's (IESO) settlement process. It is my understanding that based on this concurrence, OEFC will proceed accordingly.

Thank you for bringing this matter to my attention.

Sincerely,

Charles Sousa
Minister

c: Scott Thompson, Deputy Minister, Ministry of Finance
Gadi Mayman, Chief Executive Officer, Ontario Electricity Financial Corporation
Serge Imbrogno, Deputy Minister, Ministry of Energy
Yasir Naqvi, Attorney General, Ministry of the Attorney General
Patrick Monahan, Deputy Attorney General, Ministry of the Attorney General

Recovery of Standstill NUG payments

Issue

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
    - Staff estimate that approximately $55 million in retroactive payments to standstill NUGs have yet to be recovered from IESO.

Proposed Response

- Staff have drafted a response letter from the Minister of Finance acknowledging that he agrees with the approach suggested by the Minister of Energy.
    - OEFC Legal has advised that a direction would not be required for OEFC to make the recoveries over 6 months and that this letter, when copied to the CEO of OEFC, would be sufficient for OEFC to initiate recovery over six months.

Context

- On January 19, 2017, the Supreme Court of Canada dismissed OEFC's application seeking leave to appeal an April 19, 2016 decision by the Ontario Court of Appeal.
    - The Ontario Court of Appeal decision dismissed OEFC's appeal of the March 12, 2015, lower court decision that found that OEFC had not properly calculated the price paid for electricity under 12 PPAs held by NUG owners that participated in the lawsuit ("applicant NUGs").

- As all avenues of appeal have been exhausted, OEFC is required to make payments to several NUGs with similar price provisions to the applicant NUGs that entered into standstill agreements with OEFC.
    - By entering into the standstill agreements, the standstill NUGs and OEFC avoided litigation being launched in the wake of the March 2015 decision.
    - The standstill agreements preserve the rights of the NUGs that would otherwise have been lost or impaired by the reason of the passage of time unless they started litigation against OEFC at that time.

- OEFC's full PPA costs are recovered from ratepayers, including any payments OEFC is required to make as a result of legal proceedings.
    - This recovery is done through the IESO's monthly settlement process.

- For the recovery of retroactive payments to applicant NUGs, the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months in order to ensure more consistent treatment across electricity consumer classes in relation to the impact of the recovery.
    - Accordingly, OEFC recovered the retroactive amount in three installments.
    - Retroactive payments recovered from the IESO totalled approximately $181.48 million.

- At the time, no approval was required from the DM or the Minister as the request was sent directly to an officer of OEFC.

Staff Comments

- The request from the Minister of Energy asks that the Minister of Finance direct OEFC to recover payments over 6 months.
  - Such direction is not necessary, but concurrence from the Minister would be appropriate.
  - A response from the Minister of Finance indicating that he concurs with the view of ENERGY would sufficient.
  - For applicant NUGs, the Deputy Minister of Energy sent a letter to the CEO of OEFC.

- The longer recovery period will incur some carrying costs, but OFA short term borrowing rates, which would apply to this amount, are less than one per cent on an annualized basis.
  - Assuming a one per cent interest rate, staff estimate that total interest costs will be approximately $115,000 for a retroactive recovery of $55 million over a 6 month period instead of recovering this amount in one month, which would be OEFC's usual process.
  - Given Energy support for the longer recovery, these nominal interest costs may be justifiable from a policy perspective even though incurring these costs is not within OEFC's mandate.

Strategic Project Finance Branch
Corporate and Electricity Finance Division
May 08, 2017

c: Marianne Jonathan Sahar

5171MC-2017-24

Ministry of Energy

Office of the Minister

4th Floor, Hearst Block
900 Bay Street
Toronto ON M7A 2E1
Tel.: 416-327-6758
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Téléc. : 416 327-6754

Ontario

MC-2017-751

APR 19 2017

RECEIVED
APR 21 2017
MINISTRY OF FINANCE
MINISTER'S OFFICE

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

Dear Minister Sousa:

I am writing regarding seven non-utility generators (Standstill NUGs) that entered into standstill agreements with the Ontario Electricity Financial Corporation (OEFC) in April 2015, in lieu of court proceedings, pending the final outcome of appeals of the Superior Court of Justice's judgment in *Iroquois Falls Power Corporation v. Ontario Electricity Financial Corporation*, released March 12, 2015.

Following the January 19, 2017, dismissal of the OEFC's application for leave to appeal by the Supreme Court of Canada, the Ontario Financing Authority (OFA) has informed the Ministry of Energy that the OEFC is required to make retroactive payments (Additional Payments) to the seven Standstill NUGs in satisfaction of their claims. The OFA has further advised that it is estimated that the Additional Payments will be made in or about April 2017 upon the completion by the OEFC and the Standstill NUGs of termination and release agreements for the claims.

To ensure more consistent treatment across electricity consumer classes in relation to the impact of the Additional Payments, I request that you direct the OEFC to recover those funds through the Independent Electricity System Operator's settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.

Thank you for your prompt attention to this matter.

Sincerely,

Glenn Thibeault
Minister

c: Serge Imbrogno, Deputy Minister, Ministry of Energy
Gadi Mayman, Chief Executive Officer, Ontario Electricity Financial Corporation
Scott Thompson, Deputy Minister, Ministry of Finance
Yasir Naqvi, Attorney General, Ministry of the Attorney General
Patrick Monahan, Deputy Attorney General, Ministry of the Attorney General

ADVICE TO THE JUSTICES
MAY OPTION BE: YES / NO / ONLY

EXACT TRUCTS: A HOW-TO MFTAMULTION RELIEVE ISSUES

1. Green-to-Sub Hyph-eFlee – Equity Injection

Staff from ECCE, OSI, capital markets, Ministry of Finance, and OFC-3 continue to discuss the mechanics behind an equity injection between the Province and OFC-3 as a way to address the BCIG liquidity issue.

- The ECCE, and FICA staff are working to establish clarity and views required on the [redacted] and [redacted] and the equity injection [redacted]
- [redacted]

2. BCIG Credit Facility – Approaching Maximum Capacity

- BCIG is aware of the potential requirements for financing the Port Mann Interest subsidence.
- [redacted]
- One of the main uses of the current BCTAX credit facility is to provide liquidity risk that respond to support options mitigation, including the Environmental Risk Fund (ERF), the Contaminated Sites Remediation Fund (CSRF), and the Climate Preparedness Support Program (CPSP), the various construction programs.
- The BCTAX facility was not intended to provide long-term financing.
- [redacted]
- In the Minister's direction signed November 28, 2023, facilitates the lending arrangement between the Province and BCIG to support the acquisition and the extension of time to 60 days, essentially providing interim liquidity for the BCIG.

3. Provincial Debt Forgiveness

- [redacted]

4. On April 28, 2017 the Minister of Energy sent another to the Minister of Finance requesting that the sum of GH¢1,000,000,000.00 be released to the Ghana Grid Company Limited (GRIDCO) to offset the outstanding debt owed to the Independent Electricity System Operator's (IESO) collection accounts and to fully install payment schemes consistently with the 'streamlined cash waterfall' model for the power sector.

5. Based on the above request, the Ministry of Finance released the sum of GH¢1,000,000,000.00 to GRIDCO to offset the outstanding debt owed to the IESO collection accounts.

6. Under same, the Ministry of Finance made payments to settle some GH¢3,500,000,000.00 of the outstanding debt owed to the IPPs. The Ministry of Finance and Ghana Grid Company Limited are negotiating that recovery of the retroactive payments occur over three months. While the negotiations are ongoing, the Ministry of Finance, Ghana, said the GRTC did consult with the Minister's Office on this request.

ATTACHMENTS TO THE STATEMENT

1. [redacted]

2. [redacted]

3. Letter from Ghana Grid Company Limited to Minister of Finance for Arrears Clearance Payment Request dated 28th April 2017

4. Letter from Ministry of Finance to Ghana Grid Company Limited for Payment of GH¢1,000,000,000.00 to Offset Outstanding Debt Owed to IESO Collection Accounts dated 28th April 2017

5. [redacted]

6. [redacted]

7. Letter from Ministry of Finance to Ghana Grid Company Limited for Payment of GH¢3,500,000,000.00 to Settle Outstanding Debt Owed to IPPs dated 28th April 2017

8. [redacted]

9. [redacted]

10. Letter from Ministry of Finance to Ghana Grid Company Limited for Payment of GH¢1,000,000,000.00 to Offset Outstanding Debt Owed to IESO Collection Accounts dated 28th April 2017

11. [redacted]

ANNOTATED AGENDA
MO UPDATE: May 15, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection, with common equity structure [with a new class of shares] looking to be the mechanism.

2. IESO Credit Facility – FHP Requirements

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - Draft letter requesting the incremental or a new facility indicates a requirement for $1.5 Bn in potential borrowing requirements. OFA is of the view that a new, separate facility to better track the amounts related to the FHP is ideal and have communicated back to the IESO.
    - As indicated in the previous meeting, the possibility was raised of the IESO relying on the existing $975M credit facility provided by the OFA to provide short term financing until the OPG SPV purchases the IESO regulatory asset.
    - One of the main uses of the current $975M credit facility is to provide liquidity into the electricity market to support various initiatives including the Regulated Price Plan (RPP), the Rural or Remote Electricity Rate Protection (RRRP), the new Ontario Electricity Support Program (OESP), the various conservation programs and overall market liquidity.
    - The $975M facility was not intended to provide long-term financing.
    - IESO indicates that it would require a term of 7 to 95 days in its draft memo.
- In the Minister's Directive signed November 28, 2016, facilitates the lending agreement between the OFA and IESO until the end of 2019 and has the term restriction of 28 to 95 days, essentially providing short-term liquidity for the IESO.

3. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement

process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.

- A response letter has been drafted for the Minister of Finance's signature that will serve as both a response to Minister of Energy and as an authorization for OEFC to recover payments over 6 months.
- In the past, for the recovery of retroactive payments to applicant NUGs (who were party to the lawsuit), the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months. While the Minister of Energy did not write the Minister of Finance, staff for OEFC did consult with the Minister's Office on this request.

OTHER ISSUES

4. College Class Exemption Regulation

- Expecting request from MAESD Minister to Minister of Finance for limited college class exemption regulation based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely, and will be proceeding with the more limited class exemption.

5. Ottawa Convention Centre (OCC) Loan

- OCC has recently notified the OFA of a material adverse change pursuant to their loan agreement and that the OCC Board is requesting that the Ministry of Tourism, Culture and Sport assume the OCC's redevelopment debt.
- OFA will be working with MTCS and OCC on loan workout options.

6. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.
- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.

- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

From:	Gavin He
To:	Ronald Kwan; Marianne Nguyen (MCYS); Lesau, Victoria (MOF); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); "Maimona, Mashoka (MOF)"
Subject:	CEFD and MO | Bi-Weekly
Attachments:	Agenda MO April 18 2017.docx

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting:

Regards,
Gavin He

AGENDA
MO UPDATE: April 19, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Ontario Fair Hydro Plan – Equity Injection**
2. **IESO Credit Facility – $975M for Market**
3. **Alderville Insurance Claim**
4. **ALGP: Coral Rapids**
5. **ALGP: Wataynikaneyap Transmission Project**
6. **IESO FOI Request**
7. **OPG 2017-19 Business Plan**

OTHER ISSUES

8. **FAA Section 28 Modernization**
9. **Metrolinx Fuel Hedging**
10. **FSCO – Stelco Pension Issue**

From:	Ken Kandeepan
To:	Veinot, Cindy (TBS)
Cc:	Hosick, Sarah (TBS); Scott Nelms (ENERGY); James Devine; Carlos Yep; Ronald Kwan; Hresa Gavaris; John Psinas; John Kim; Anna Strathy
Subject:	FHP Issues
Date:	Thursday, June 29, 2017 11:54:42 AM

Hi Cindy

We had a meeting this week on a number of issues raised by Scott and we felt that it would be useful for Scott, Ron, a couple of our senior Capital markets colleagues and me to meet with you for a quick discussion on the following. If you are amenable, Hresa Gavaris, Gadi's admin specialist has kindly agreed to work with Sarah to set up the meeting 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 date 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 Trust – a number of options are available for determining the coupon. As Gadi pointed out, issuance at the upper end benefits OPG while the opposite, benefits the ratepayer in terms of the total 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 is proposing an asset management fee of 10bps on the Assets Under Management (AUM). Assuming the AUM is equal to the debt or the investment asset, 10bps amounts to $25 million per annum in 10 years' time (assume total debt of $25 billion). 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: Hresa Gavaris

To: Gadi Mayman; Ronald Kwan; James Devine; Carlos Yep; John Psinas; John Kim; Anna Strathy; Cindy Veinot; "Hosick, Sarah (TBS)"; Scott Nelms (ENERGY); Ken Kandeepan

Subject: FHP Issues

Teleconference Number 416-212-8011 Conference ID: 4717656

From: Gavin He
To: John Kim
Cc: Ronald Kwan
Subject: FW: CEFD and MO | Bi-Weekly
Date: Tuesday, March 07, 2017 12:58:50 PM
Attachments: Annotated Agenda MO March 07 2017_CEFD_v2_EFB_Markup.docx

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Hi John

Please find attached the comments and edits from Ron.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Tuesday, March 07, 2017 12:32 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi,

Some edits, as attached.

Ron

From: Gavin He
Sent: March-07-17 11:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

EFB made some further edits to include OEFC lending to IESO update. Please find attached the updated agenda for your review.

Regards,
Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Pearce, Christopher (MOF); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Maimona, Mashoka (MOF);

Gwendolynne Young (ENE)
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, March 07, 2017 3:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.

CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
SEC LETTER TF: March 07, 2017

STATIC TRUSTS & ASSET OPTIMIZATION INITIATED ISSUES

1. Trillium Trust

Ministry of Finance is requesting a regulation be made under the Trillium Trust Act 2004 to designate proceeds related to the Hydro One secondary offering in April 2015. The Trillium Trust currently amends in the regulation does not include the shares purchased by OPG.

- The gains related to the shares purchased by OPG are not realized at this time, as OPG continues to hold the shares. The gains are unrealized capital gains.
- The Liability Act is using Hydro One as "Ontario Power Generation" in 2016, 2017 and 2018, as shown in C. 2017. The regulations is expected to be Gazetted March 31, 2017, so that the Trillium Trust can be designated as a beneficiary of the settlement.
- Work on regulations related to the PHASEOUT shares sale and the shares purchased by OPC is on-going.

2. Trillium Trust enrollment

TRU staff have communicated their given the level of operating expected for the GCSERP and the Trillium Trust, there is overlapping between the former child bearing, grant income, GURB, and Trillium Trust.

- Trillium Trust funding is the last to be called on, as nonfunding-overall per federal and provincial benefits and credits and GCSERP, are legal commitments.
- CRA, staff will continue working with TRU as well as updating the information portal as necessary.

3. Hydro One Brampton

- On February 28, 2017, the Province completed the sale of Hydro One Brampton to Canada Infrastructure Fund, a Canadian infrastructure investment company, consisting of Borealis Infrastructure, and Alberta Investment.
- CRA staff is working with OPCO on finalize transaction amounts to determine the final net revenue gains, generated from the transaction to be dedicated to the Trillium Trust.

4. Global A Apartment Lawsuit-Follow ups

- There are several HoCAs not involved in the lawsuit which haveCPAs that contain similar terms and price provisions as these that are under consideration by the

results. TransAlta Gp entered into Eversdell Ed powersets with GETC (Eversdell NuGrp).
- Jan GETC's application for leave to appeal was unsuccessful. GETC would have to pay termination fee to Eversdell NuGrp if it terminates.
- As all Eversdell NuGrp leas will be repaired or have terminated early no additional capital expenditures are required for the assets.

- GETC may make retroactive payments to Eversdell NuGs for 2020 through the end of 2024 to preserve access under the tax pools.
- Eversdell NuGrp will not make distributions for the years prior to 2025.
- GETC will only be making retroactive payments to Eversdell NuGs for generation which accrued within the last year forbearance period.

- As GETC recovers the full cost of contracts through the Global Agreement, remaining obligations, such as contract expenses and decommissioning, will be covered by the Province of Ontario in respect of the GETC.

6. AmGP-Crest/Fuquiis Conditional Offer Package

- Crest Foothill Power Corporation (CHPC), wholly owned by Tsplous Tsppmos Nodos ("TTN"), is seeking a loan guarantee under the LGP. The loan would allow CHP to refinance its existing debt and complete the construction of its Foothill Power Plant (the "Project"). Fuquiis Capital has an interest in less than 10% of CHPC.
- Fuquiis Capital has received the initial approval and an OIC was obtained at the December 13, 2020 EIC meeting.
  - This application involves the interests of a Schedule 1 bank.

- Due diligence and negotiation of legal loan documents are ongoing. Key documents, including the loan guarantee agreement and the project agreement, are expected shortly thereafter, although the exact date is to be determined. Staff request an update from the Minister's office on the progress of the final loan guarantee agreement. Draft are available for a briefing if requested.

1. GETC continues to thrive

2. GETC financials [illegible] [illegible] [illegible]

ANNOTATED AGENDA
SEC UPDATE - March 07, 2017

U OVER ISSUES

Rick Sutton 20 Masterstream
- Masterstream has completed various developed options for modernizing a 2B of the Rick. Options may not require legislative amendments out Spring 2018.

College Council exemption
- Proposed regulation as well as terms and conditions for the draft Binding Policy Directive for C colleges has been drafted and is currently being reviewed by college Council.
- MoECC and OTA to meet next week to review the s.39 approval process including timing and information requirements with a view to further streamlining the process.

Short-drive Fuel Hedging
- Intention is to planning to hedge by fuel costs by entering into financial derivatives contracts with counters on hedged basis. In order to do so, Manitoba must obtain approval from the Minister of Finance to enter into such derivatives and borrowing by law as well as s. 39 approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

From:	John Kim
To:	Ronald Kwan
Cc:	Bruno Amara; Shajee Kathirgamanathan; Salman Qadir
Subject:	FW: M - FHP Briefing (2017 06 19 v8).pptx
Date:	Tuesday, June 20, 2017 4:59:19 PM
Attachments:	M - FHP Briefing (2017 06 19 v8).pptx

Hi Ron,

Pls. see attached draft. Comments are welcome.

Thanks,

John

From: Bruno Amara
Sent: Tuesday, June 20, 2017 4:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: M - FHP Briefing (2017 06 19 v8).pptx

Hi john

See revised draft. Added a slide on Treasury Policy

Ontario's Fair Hydro Plan

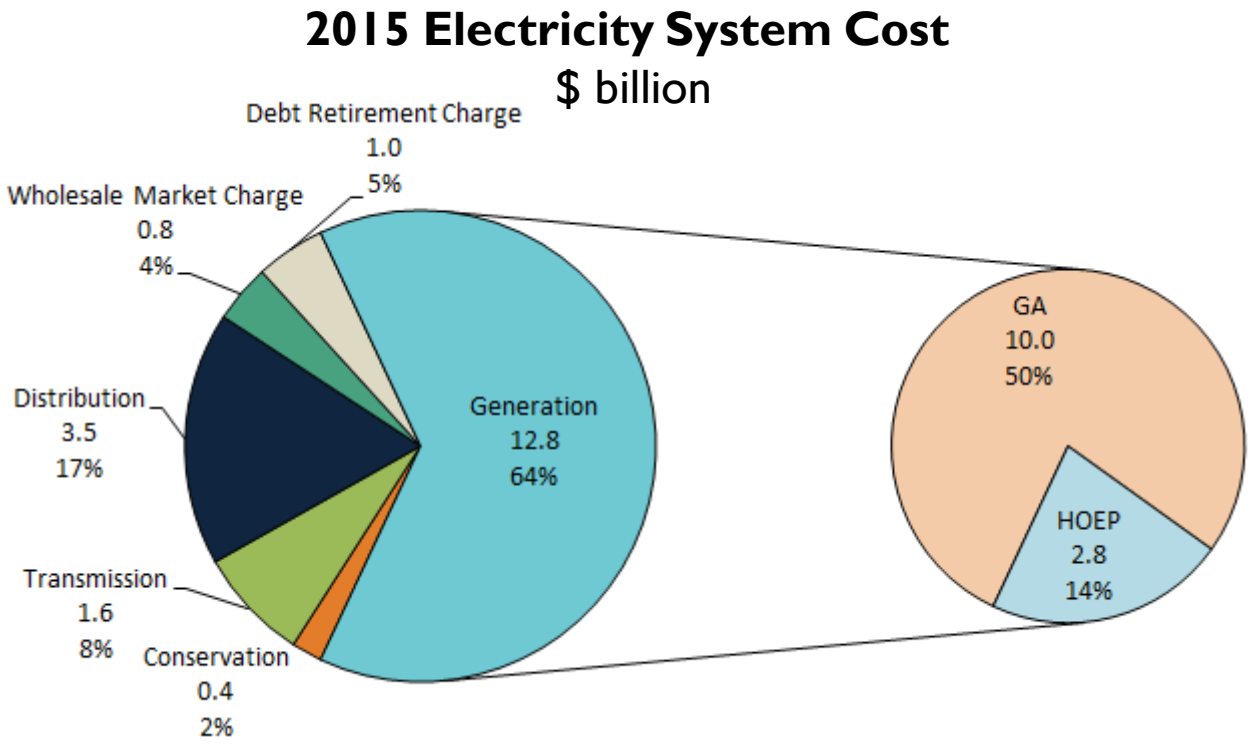
Corporate and Electricity Finance Division
June XX, 2017

Contents

- Context: Ontario's Electricity Market
- Overview: Ontario's Fair Hydro Plan
- Refinancing the Global Adjustment
- Key MOF Roles
  - Equity Injection
  - IESO increased credit facility
- Outstanding Issues
  - Provincial Support
  - Indemnities
  - PILs Exemption
  - Performance Management Fees
- Global Adjustment Refinancing Risks / Sensitivities
- Appendix
  - IESO Treasury Policy
  - GA Financing: Illustrative Net Debt Impacts

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

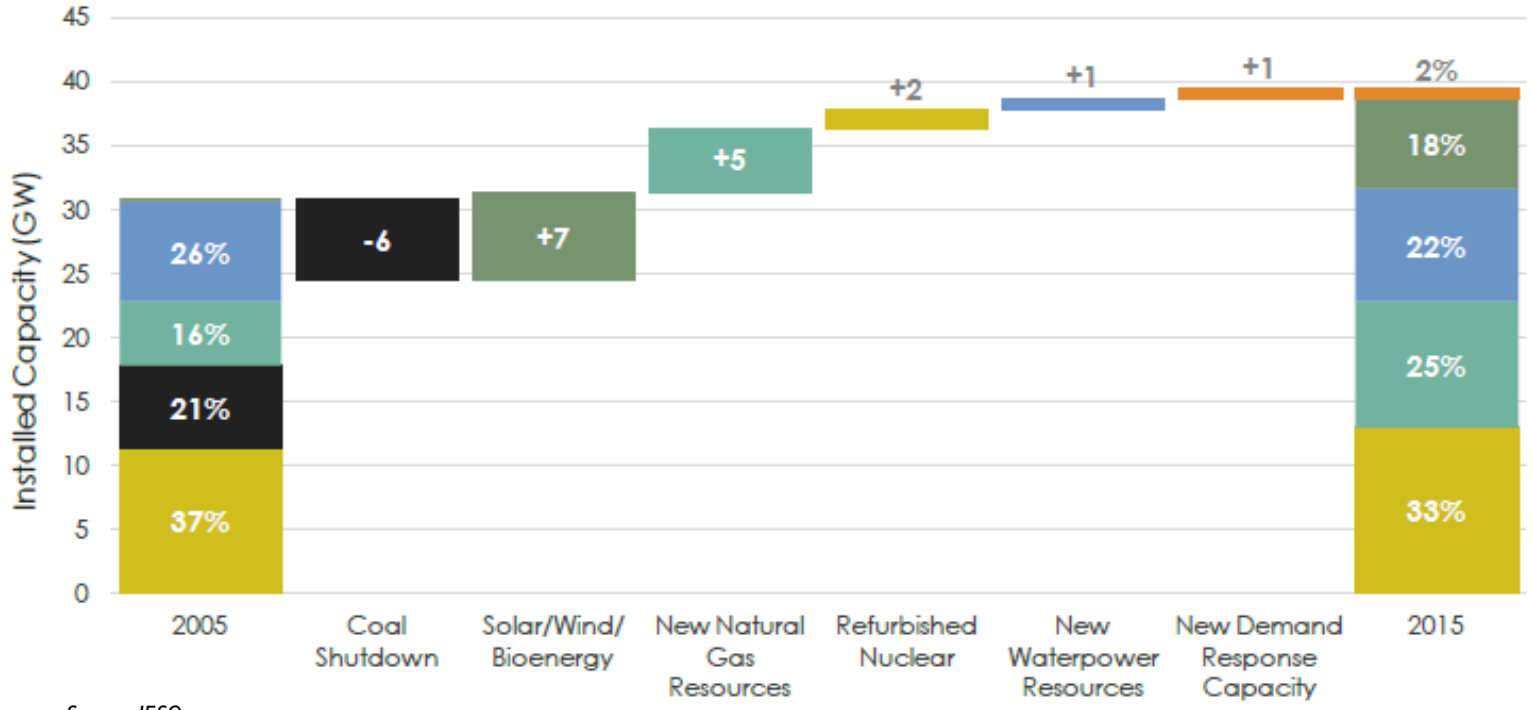
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

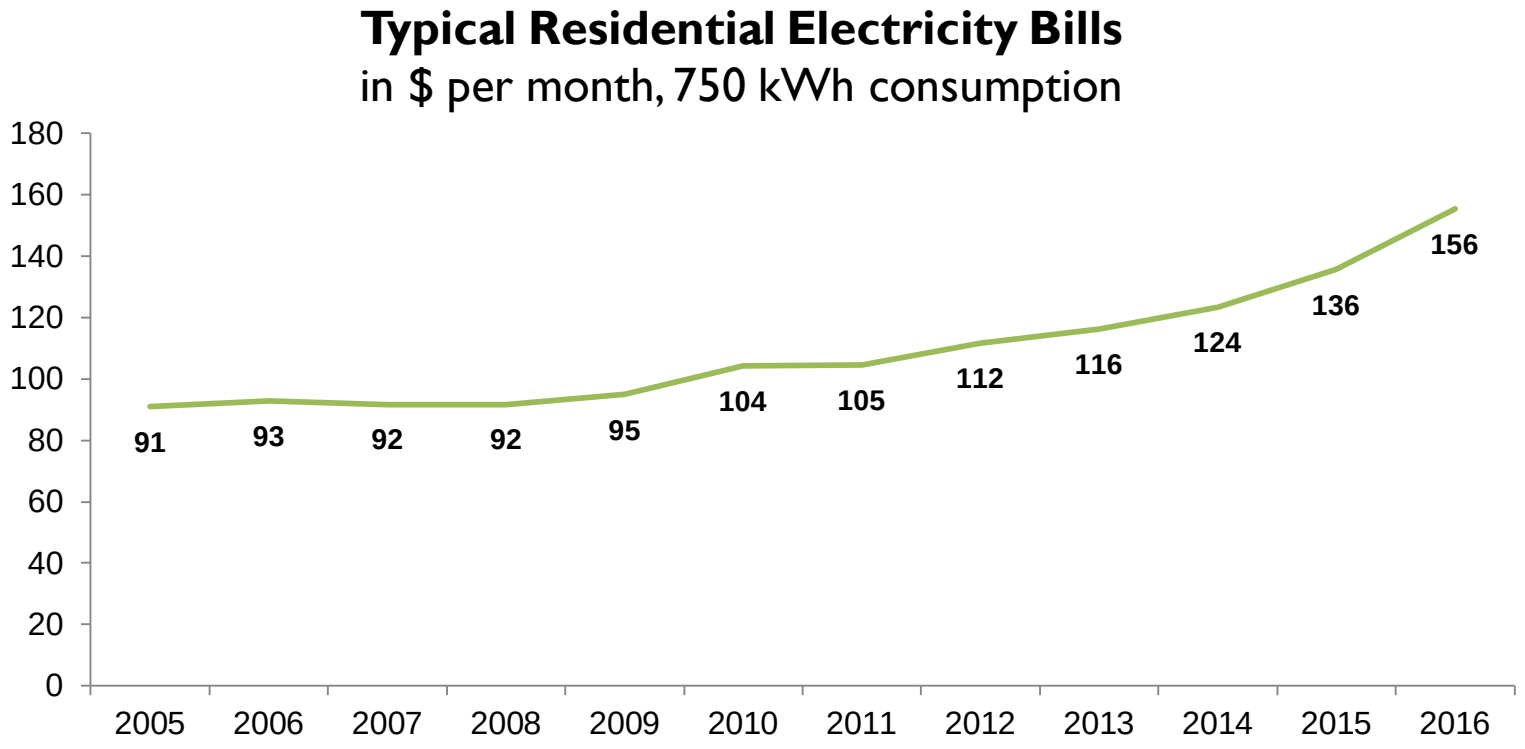
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- On May 31, 2017, the government passed the Ontario Fair Hydro Act, 2017, to enable the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits (essentially for those eligible for the Regulated Price Plan).

- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
    - The Global Adjustment recovers a portion of the commodity supply and conservation costs of electricity.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.

- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

Overview:
The Ontario Fair Hydro Plan (cont'd)

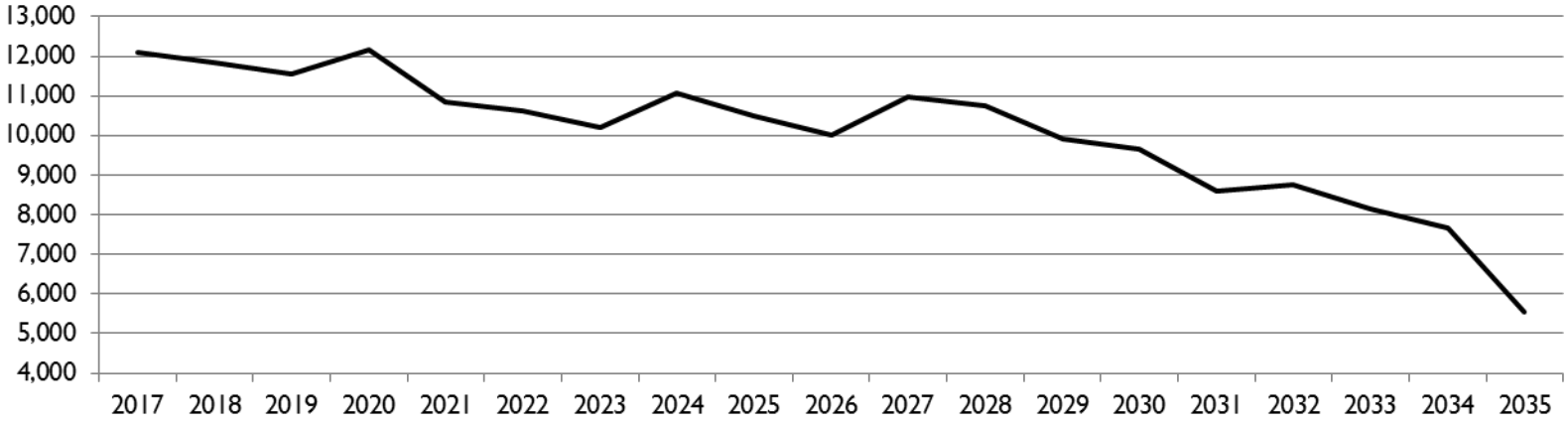
- Other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been estimated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government).

Refinancing the Global Adjustment

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.
- Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



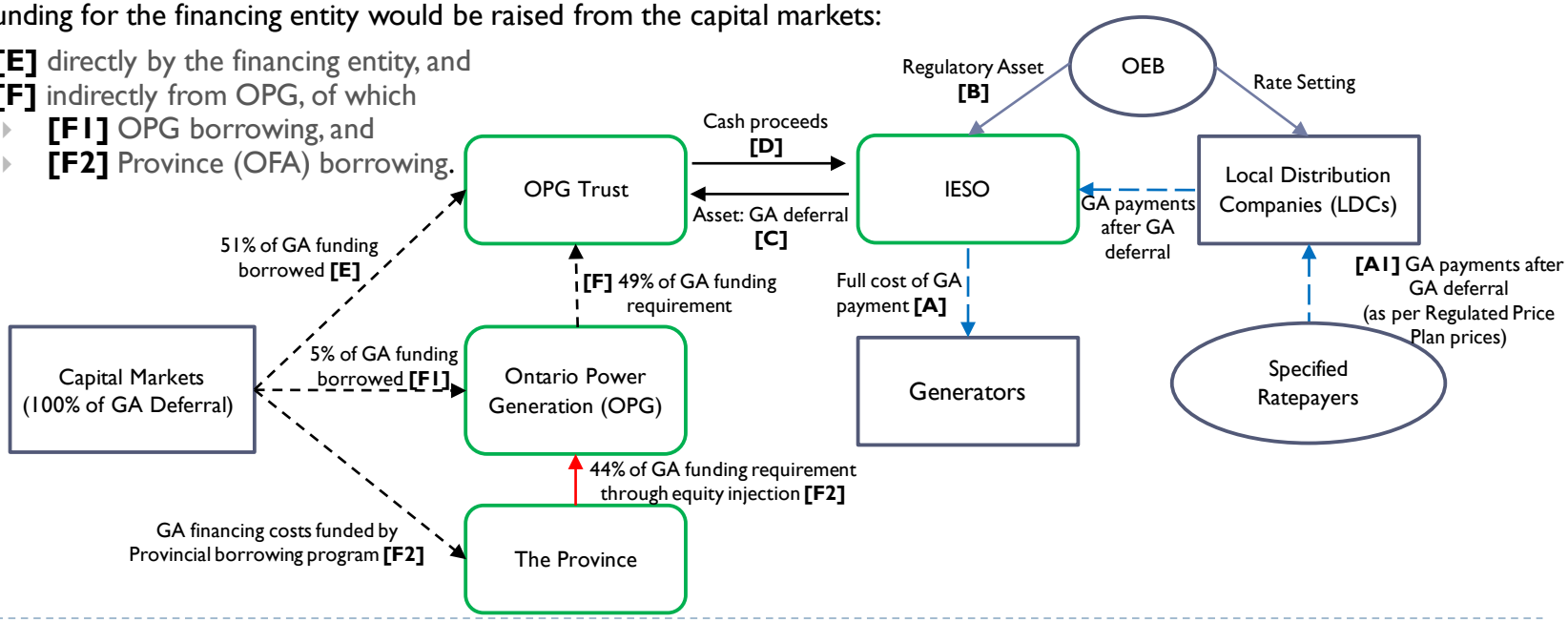
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

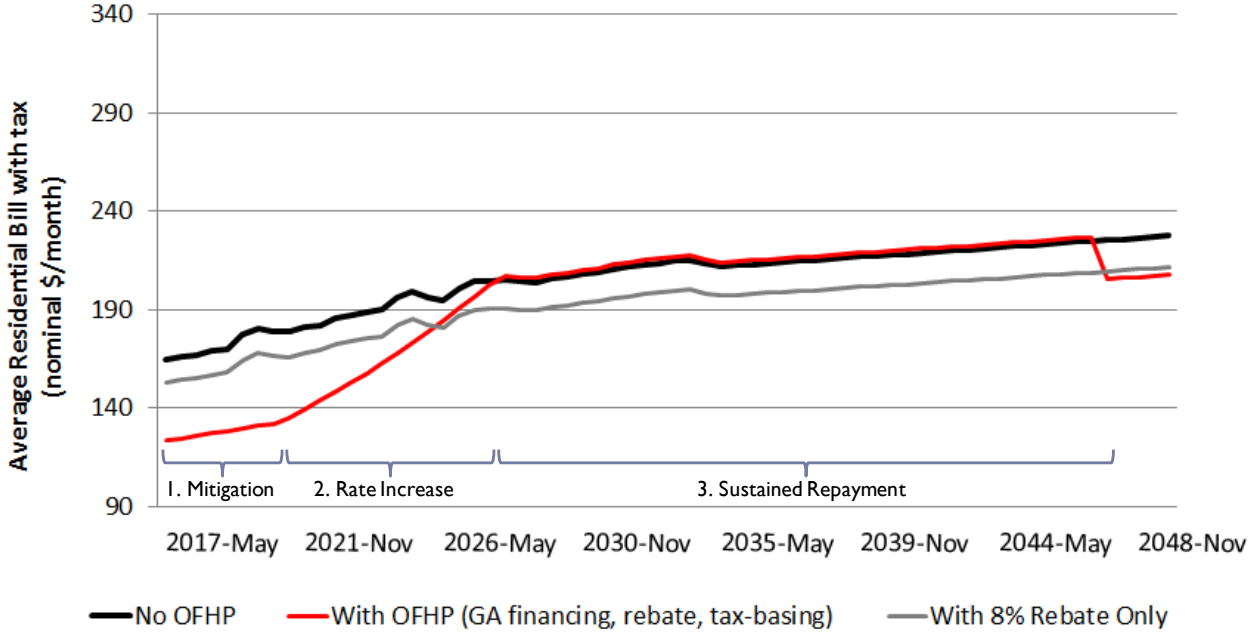
GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG would be able to establish a special purpose vehicle (OPG Trust) financing entity.
- **[A]** Under the OFHP, the IESO will continue to pay generators their contracted and regulated prices. **[A1]** However, LDC payments will be less, as Regulated Price Plan prices are set based on a portion of the GA deferred in order to support the initial 25% reduction (and subsequent adjustments).
- **[B]** The IESO will set up a deferral account, vis a vis a 'regulatory asset', with a right to recover the deferred costs and financing costs, as authorised by the OEB.
- **[C]** Under the Act, the Independent Electricity System Operator (IESO) would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Province (OFA) borrowing.



Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

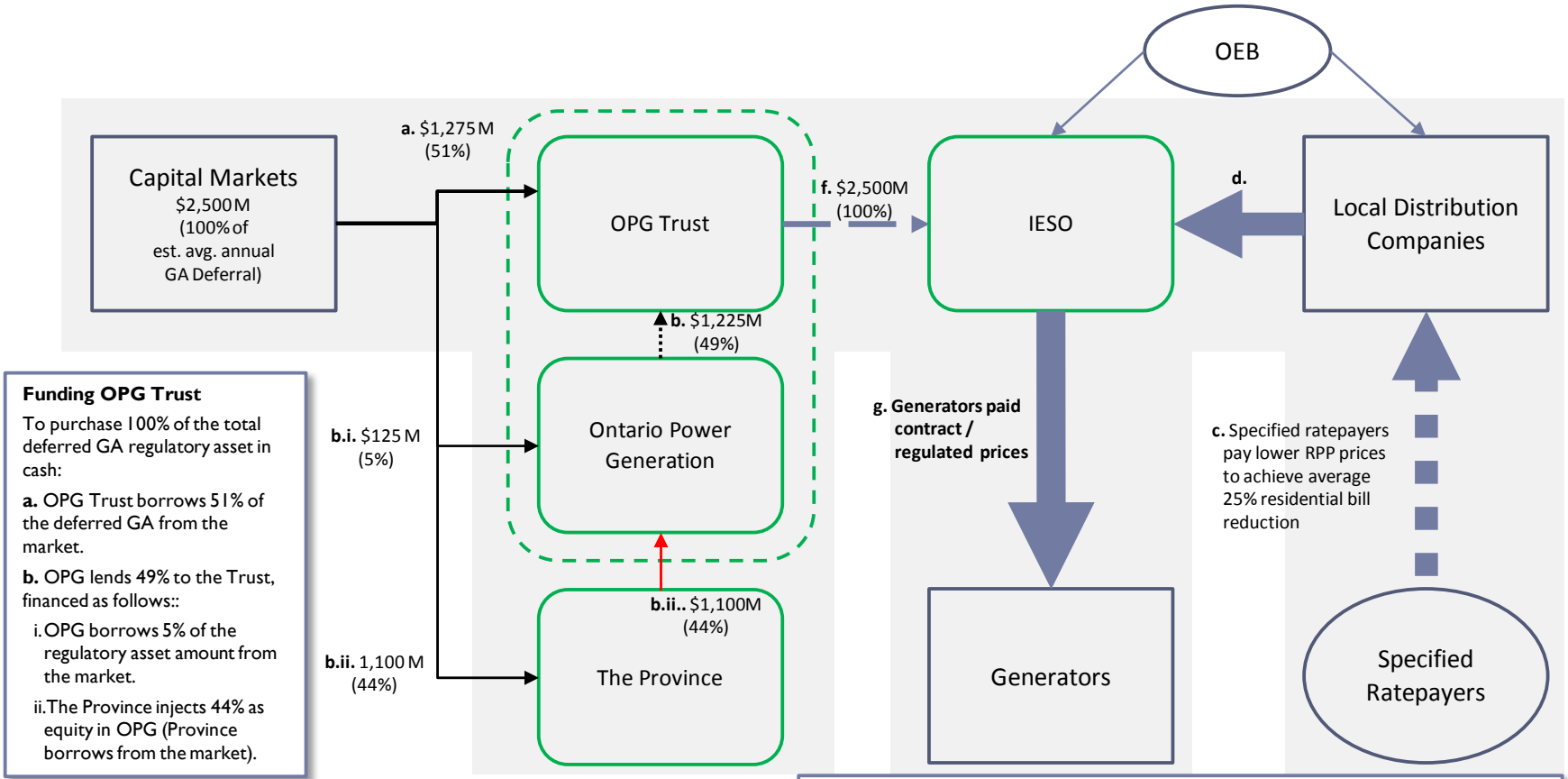
Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

f. IESO sells this asset for cash to OPG Trust.

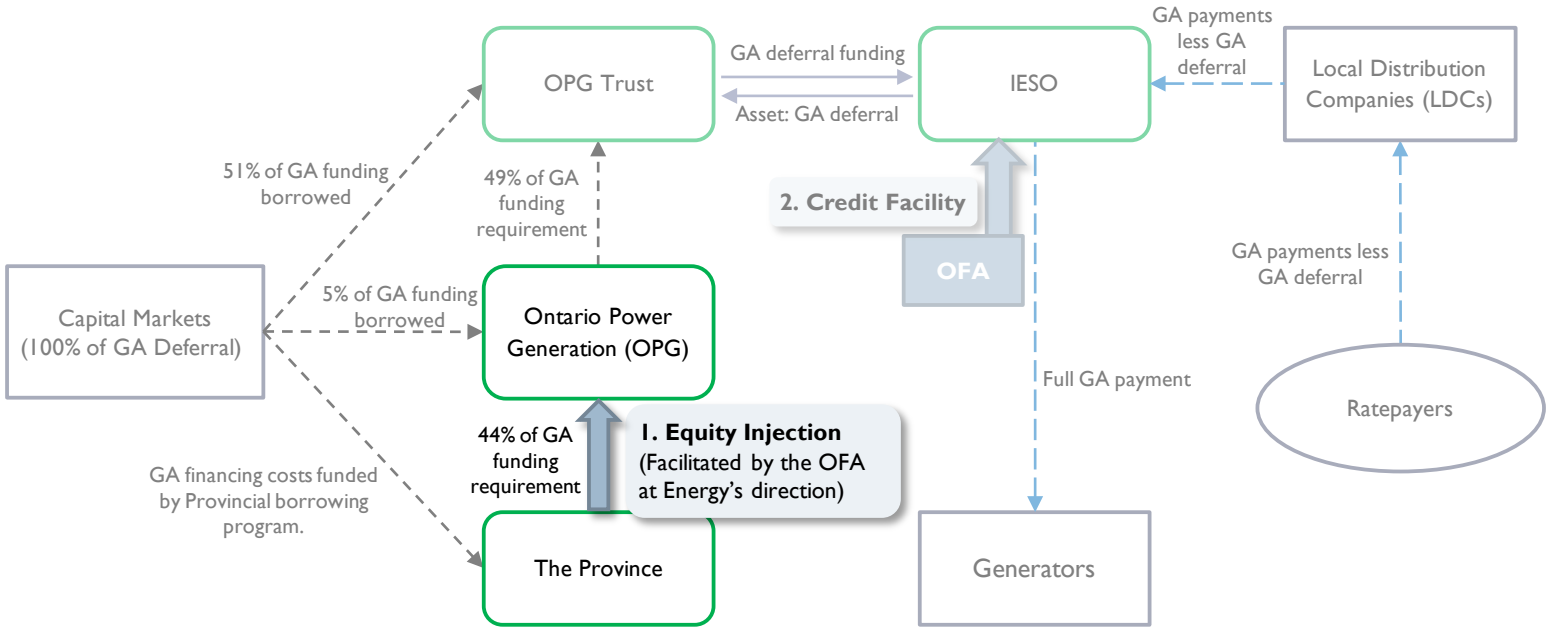
g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Key MOF Roles

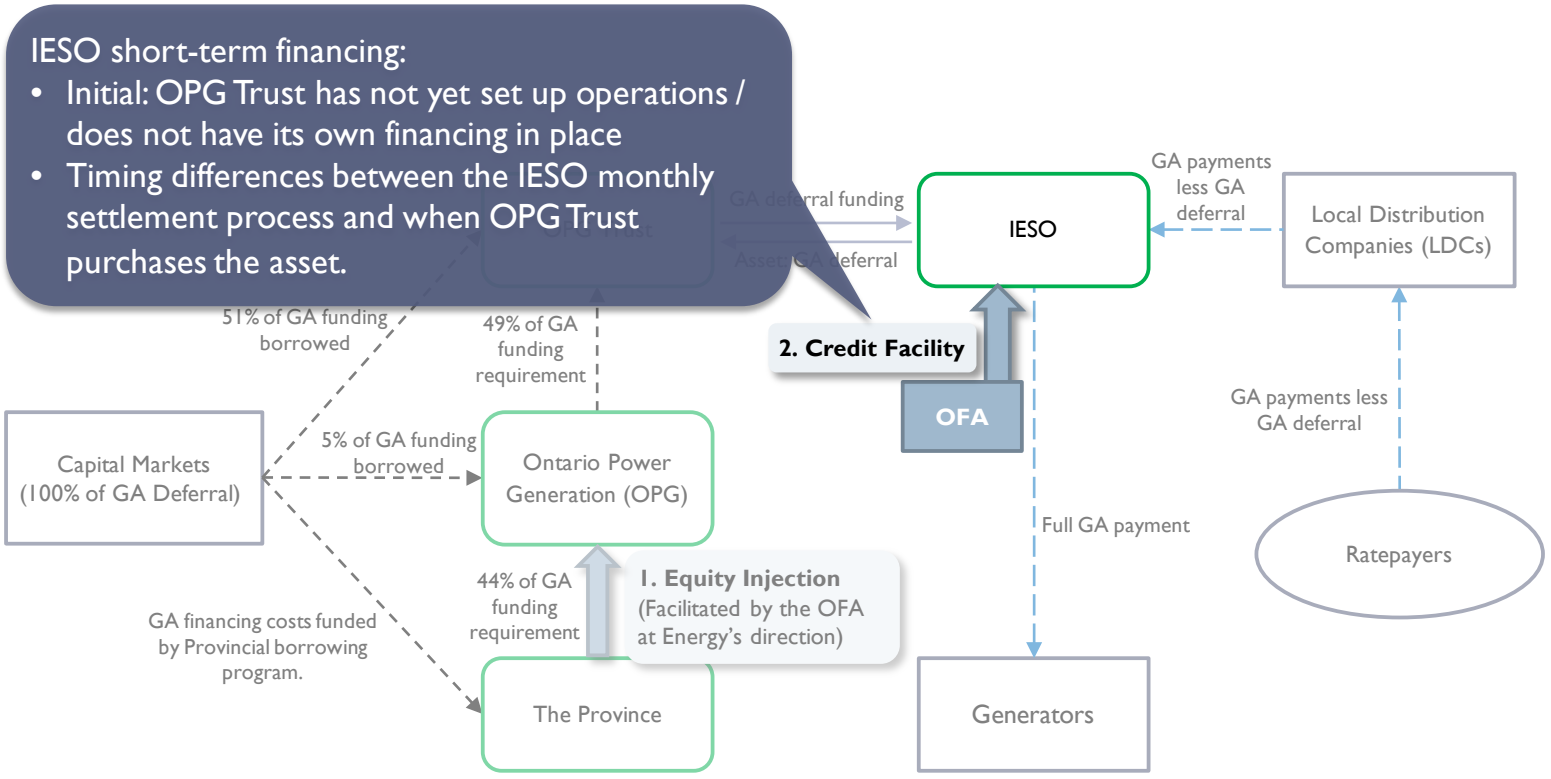
1. Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



2. OFA/IESO Credit Facility

- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Outstanding Issues

3. Provincial Support Agreement

- Outlines certain guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (eg. Holders of debt), and support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
- There are three facets of the Provincial Support Agreement:
  1. Performance Guarantee: to ensure the performance of the IESO and electricity vendors in collection and remittance of Clean Energy Adjustments.
  2. Indemnity for Financing Entity against claims from creditors as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity.
  3. Avoidance of Mismatches outlines roles and expectations of Financing Entity and possibly the Province to ensure funding obligations are satisfied (i.e., obligations to purchase regulatory assets).
- Provincial Support Agreement is currently under review by various MOF staff (including MOF Legal).
- Separation between the Province and OPG is necessary to maintain appropriate accounting treatments.

4. Indemnity

- OPG and IESO are requesting that the Province indemnify the corporations and their respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan.
  - Indemnity would not apply to claims covered elsewhere by existing insurance or indemnities.
- Indemnification will need to ensure separation between the Province and OPG is maintained (i.e., accounting treatments).
- This request is currently under discussion, in particular with respect to the scope of the requested indemnities and interaction with existing statutory protections and indemnities.

5. Payment in Lieu of Taxes Exemption

- The Province has been asked to consider regulatory changes to exempt from PILs the income arising to the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - Issue is to exempt or reduce PILs in order to reduce burden on ratepayers, as these costs would otherwise be recovered through the rate base.

6. Performance 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.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount.

Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

Appendix

IESO Treasury Policy

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998*, the IESO is required to maintain investment, borrowing and financial management policies and procedures.
- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.
- The revised IESO Treasury Policy incorporates the following two changes:
  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017*.
  2. Increase counterparty exposure to Schedule A Canadian Banks from the current $420 million to $500 million, an increase of $80 million exposure per counterparty.
     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.
- OFA staff have reviewed and have no concerns with the requested changes.

GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

From:	Bruno Amara
To:	Ronald Kwan
Cc:	Gavin He
Subject:	FW: M - FHP Briefing (2017 06 23 v7).pptx
Date:	Monday, June 26, 2017 3:31:33 PM
Attachments:	M - FHP Briefing (2017 06 26 v02cy).pptx

Hi Ron

See slide 21 added by Carlos. Note Jim and Mike have not yet reviewed so Carlos is requesting that we keep this slide in our office until they do so.

Bruno

From: Carlos Yep
Sent: Monday, June 26, 2017 3:02 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: M - FHP Briefing (2017 06 23 v7).pptx

Bruno,
I have added a comment in the slide titled: Performance Management Fee – "Gain/loss is capped at 1% of annual incremental issuance amount"
>>>Can you check if the gain loss is capped at max of $1M or 1% of incremental OPG borrrowing to fund 5% of the GA regulatory asset
ie if GA = $2.5B the max of $1M or 1% of $2.5B x 5%

I have also inserted a slide on the subordinated debt from OPG– just after performance management fee slide.
Take a look and see if it what you are looking for. BTW – I have not circulated it since both Jim and Mike are out of the office

Regards
Carlos

From: Bruno Amara
Sent: Monday, June 26, 2017 10:04 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: FW: M - FHP Briefing (2017 06 23 v7).pptx

Hi Carlos

Attached is a slide deck on fair Hydro Plan that Ron is presenting at a Minister's meeting this Wednesday. The deck reviews the FHP and also reviews some of the outstanding issues – starting on slide 13. Ron shared this around on the weekend and there was request from Scott Nelms to include a status update on the sub-debt discussion. We haven't been very close to these discussions. Would you be able to draft a summary slide for inclusion in the attached deck? You'll see in attached that summaries for most are fairly high level.

Thanks for your help and let me know if you have any concerns.
Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

From: Ronald Kwan
Sent: Monday, June 26, 2017 8:25 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 23 v7).pptx

Hi Bruno,

Scott N. asked of more on the status of the sub-debt discussion could be put in, say on the discussion of pricing. May need to reach out to CMD folks.

Thanks,
Ron

On Jun 23, 2017, at 5:58 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Thanks Bruno, et al.
>
> Ron
>
> ---
>
> **From:** Bruno Amara
> **Sent:** June-23-17 17:49

To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: M - FHP Briefing (2017 06 23 v7).pptx

Ron see revised slides.

On related matters. There was back and forth most of the day amongst EFB, MOF Legal and Energy Legal with respect to finalizing Indemnity Agreements. I think they should be near final at this point. M. Energy to provide signed request letter on Tuesday. We hope to have a draft on Monday. MoF Legal did not have a change to respond further on the briefing note today, so we will need to finalize that, hopefully on Monday.

We aim to have approvals packages for 1) Treasury Policy 2) Minister's Directive to OFA re lending facility and 3) Indemnity approval for early next week.

Thanks
Bruno

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division

DRAFT: June 28, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- Refinancing the Global Adjustment
- Outstanding Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - PILs Exemption
  - Performance Management Fees
- Appendix: GA Financing
  - GA Refinancing Structure
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- On May 31, 2017, the government passed the Ontario Fair Hydro Act, 2017, to enable the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits (essentially for those eligible for the Regulated Price Plan).
  - Implementation steps include a set of regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
    - The Global Adjustment recovers a portion of the commodity supply and conservation costs of electricity.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

Overview:
The Ontario Fair Hydro Plan (cont'd)

- Other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

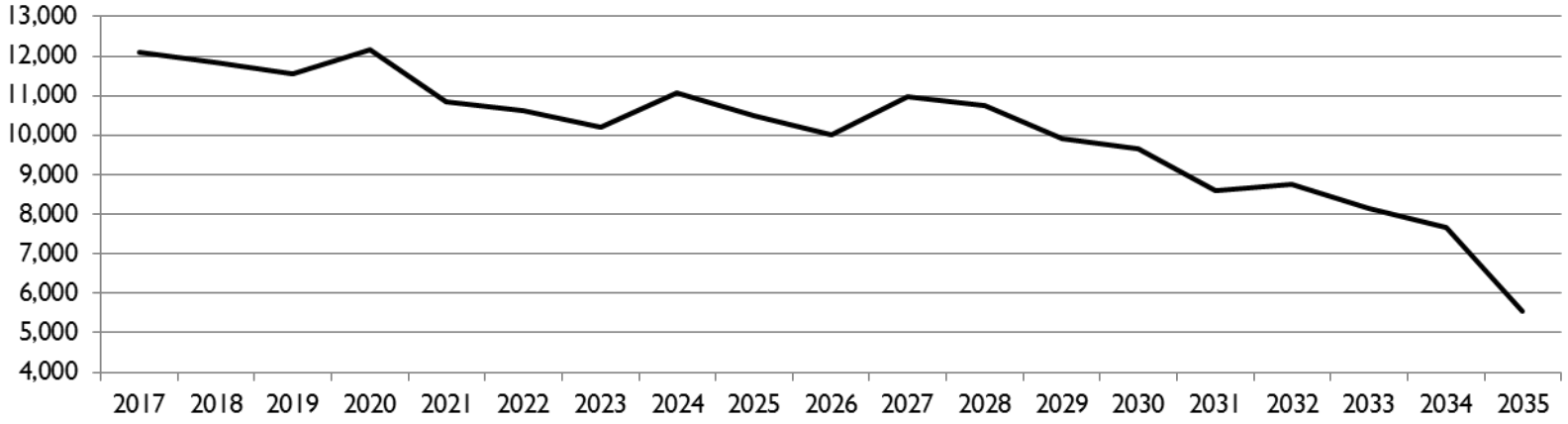
Refinancing the Global Adjustment

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



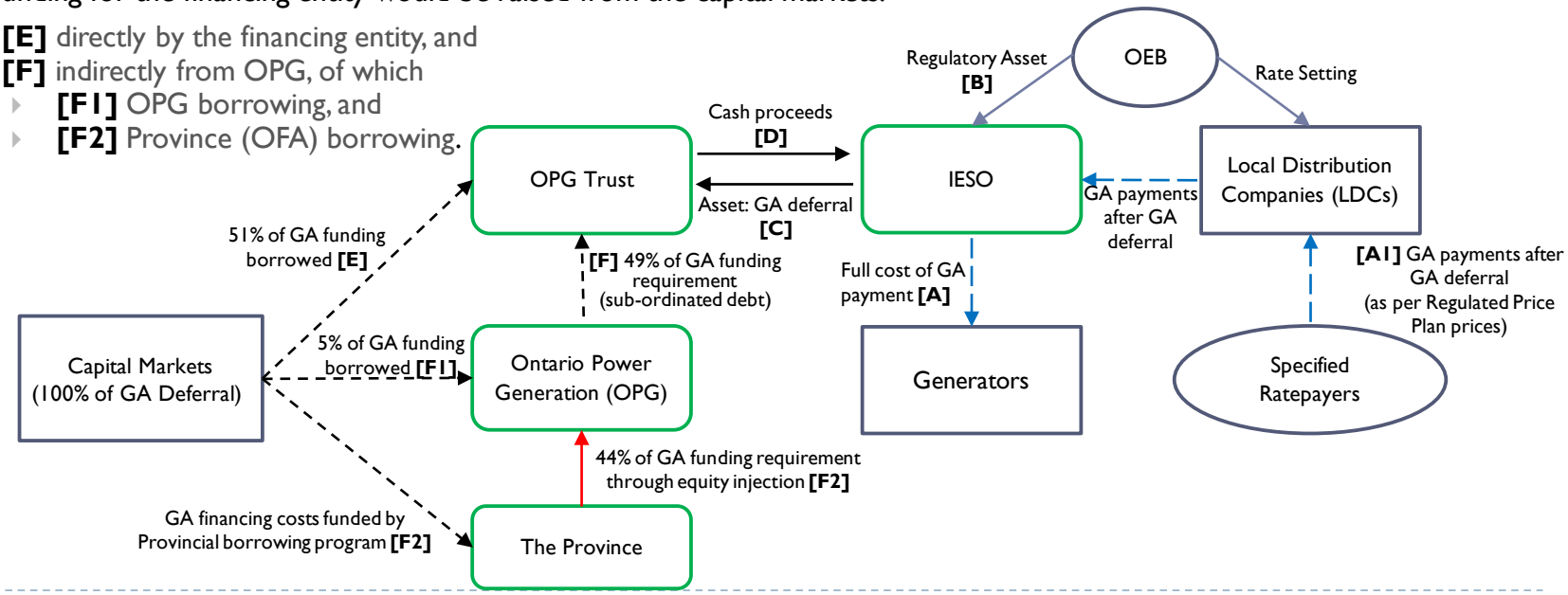
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the deferred amounts and cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

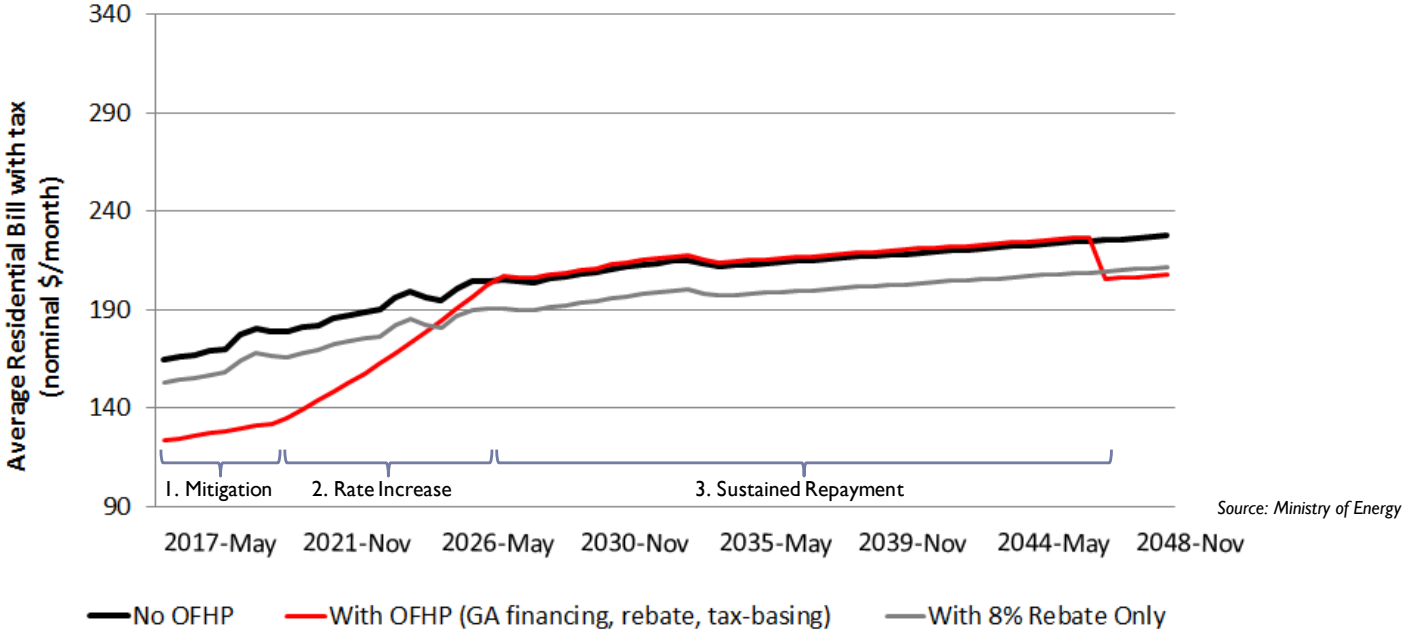
GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG would be able to establish a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** Under the OFHP, the IESO will continue to pay generators their contracted and regulated prices. **[A1]** However, LDC payments will be less, as Regulated Price Plan prices are set based on a portion of the GA deferred in order to support the initial 25% reduction (and subsequent adjustments).
- **[B]** The IESO will set up a deferral account, vis a vis a 'regulatory asset', with a right to recover the deferred costs and financing costs, as authorised by the OEB.
- **[C]** Under the Act, the Independent Electricity System Operator (IESO) would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Province (OFA) borrowing.



Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Source: Ministry of Energy

Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

MOF-Related Outstanding Issues

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- The OFHP Act, s. 5, outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (with respect to debts, obligations, securities or undertakings associated with an investment interest), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
  - This is separate from the indemnities proposed to be provided by the Ministry of Energy for OPG, IESO and respective directors, officers and employees with respect to their activities in implementing the Fair Hydro Plan.
- A proposed Provincial Support Agreement is currently under discussion among Ministry of Energy, Ministry of Finance, OFA, external legal consultants and OPG.

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- There are three facets of the draft proposed Provincial Support Agreement currently under discussion. Each of these would require Agreement/approval of Ministers of Energy and Finance:
  1. Service Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including billing, collection and remittance of clean energy adjustments.
  2. Indemnity: Provided by Province for Financing Entity against third party claims as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity. Indemnity applies only to direct government actions and would not cover, for instance, OPG activities
  3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and, if unable to do so, possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.
  - Under both the Service Guarantee and the Indemnity the Service Guarantor (the Province) will have the option to satisfy obligations by "stepping in) and paying when due regularly scheduled amounts. In both cases the Servicing Guarantor would not be obligated under any circumstances to pay consequential, special or punitive damages, or for economic loss or loss of profits.

- Note: Separation between the Province and OPG is necessary to maintain appropriate accounting treatment.

Indemnity
(For Minister's s.28 Approval)

- The Ministry of Energy is proposing to provide, on behalf of the Province, certain indemnities as requested by OPG and IESO, and is asking, pursuant to Section 28 of the *Financial Administration Act, 1990 (*FAA*)*, that the Minister of Finance approve this request.
  - OPG and IESO are requesting that the Province indemnify the corporations (OPG and subsidiaries, not including the financing entities, and IESO), respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan (OHFP).
  - ENERGY notes that in the event that an indemnity claim does arise and a payment is required, the Ministry would be unlikely to be able to support these payments and would need to return to TB/MBC for an increase in its allocation.
- In implementing the OFHP, OPG and the IESO expect to carry out activities that fall outside the scope of their pre-OFHP typical business activities and corporate mandate. They believe that this creates the risk that such activities could be perceived as, or subject to claims that they are not being carried out in "good faith" or in the best interest of the corporation, thereby exposing OPG and/or the IESO to increased liability.
- OPG and IESO note that existing statutory protections do not preclude a party from bringing an action or other civil proceeding against the corporation's directors, officers or employees, causing them to incur costs in defending the claim.

Indemnity (cont'd)
(For Minister's s.28 Approval)

- Under the proposed Agreements, the Province would agree to indemnify and hold harmless the corporations and their respective directors, officers and employees from any claims, liabilities, costs or losses that might arise to the Protected Person as a result of their roles in carrying out activities related to the implementation of the ONFHP.

- The proposed Agreements note that under the Indemnities, a protected person would not be entitled to be indemnified in respect of losses for which coverage is provided elsewhere, including through insurance policies or existing statutory indemnities.

- Indemnity would not cover a protected person losses that are the result of such protected person's dishonesty, gross negligence or willful misconduct.

- The Agreement includes a waiver that restricts the Province's ability to bring any claims (other than those arising out of gross negligence and wilful misconduct) against the Protected Persons.

  - MENE believes the risk associated with providing this waiver is likely low given that it is unlikely that the Province would bring a claim against a Protected Person for acts they would be providing an indemnity to the Protected Person for.

Indemnity (cont'd)
(For Minister's s.28 Approval)

- Ministry of Finance staff recommend approval of the s.28 request.
  - Ministry of Energy indicates that the Indemnities have been requested by the companies, supporting the implementation of the OFHP.
  - The Ministry of Energy states that the risk of the Province providing the Indemnities is undeterminable and unquantifiable at this time, due to uncertainty around possible claims under the Indemnities. Ministry of Energy notes, however, that the risk is mitigated by the existence of statutory immunities under the *Electricity Act, 1998,* for IESO, and under the *OFHP Act, for OPG,* pre-existing protection for director, officers and employees under insurance and, the limitation of indemnity to claims arising from IESO's and OPG's respective roles in implementing the OFHP.

IESO Treasury Policy
(For Minister's Approval)

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998,* the IESO is required to maintain investment, borrowing and financial management policies and procedures.

- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.

- The revised IESO Treasury Policy incorporates the following two changes:
  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017.*
  2. Increase counterparty exposure to Schedule A Canadian Banks from the current $420million to $500 million, an increase of $80 million exposure per counterparty.
     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.

- OFA staff have reviewed and have no concerns with the requested changes.

Equity Injection – Key Proposed Terms

OFA to Support under a Service Level Agreement

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Ministry of Energy (as Shareholder) will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements. OPG will provide forecasts of its equity requirements for the upcoming three years in its business plan submission.
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
  - OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements
  - OPG will have the right to repay equity subordinated to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the debt is made commencing in 2027
- Ministry of Energy and OFA would, as proposed, have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy, subject to the approved PRRT amount and 44% share.

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount.
- MOF (OFA) and Ministry of Energy are currently reviewing OPG's performance management fee proposal. [who approves?]

Subordinated Debt from OPG

- OPG will lend 49% of the GA asset to the Fair Hydro Trust as subordinated debt
  - OPG will use the Province's Equity injection of 44% of the GA asset
  - OPG will issue to investors an amount equal to 5% of the GA asset
- There will be one or more mezzanine levels of subordinated debt
  - Each mezzanine level of debt will have a different spread over Government of Canada bonds
- The Province's fiscal impact is expected to be minimized
  - Province will have an increase in interest expense arising from issuing long-term debt to finance the equity injection
  - OPG will have increased income from
    - lending of the 44% equity injection from the Province (with 0% interest rate)
    - and also making a spread on the 5% OPG raises in the capital markets and lends as subordinated debt
- The OFA is currently reviewing OPG's subordinated debt interest proposal and will provide comments to OPG once more discussions have taken place with Ministry of Energy staff

Payment in Lieu of Taxes Exemption
(Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is a PILs exemption for the income arising from the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - With no PILs exemption, ratepayers will bear the cost of PILs through the rate base.
  - OPG has sought a broad comprehensive PILs exemption for a variety of potential financing structures including corporations, trusts or partnerships.

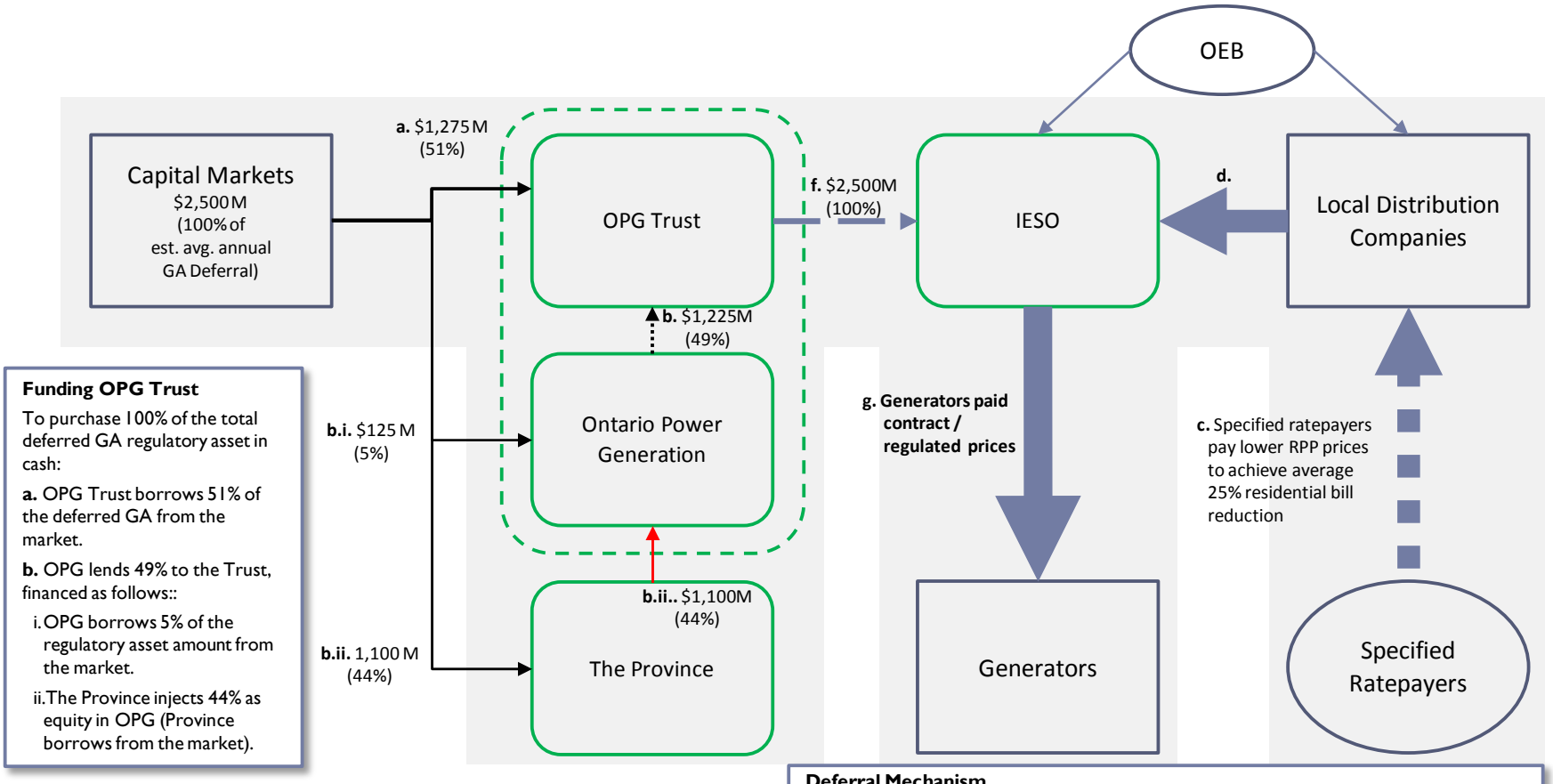
- The PILs regulations under the Electricity Act are under the purview of the Minister of Finance.

- TPD recommends [TBC] a regulatory exemption for each specific financing entity structure, once the structure is determined. A blanket exemption would create significant risks to provincial revenue and require a number of complex conditions to minimize the potential for precedents and tax avoidance.

- TPD proposes bringing forward for approval the required regulation(s) once OPG advises on each specific financing entity structure and any anticipated future structures or changes to the structure.
  - OPG has raised questions on the timeliness of response for a new regulation, as OPG special purpose vehicles for financing may be put together quickly to respond to different markets and market conditions

Appendix: GA Financial Flows & MOF / OFA Roles

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

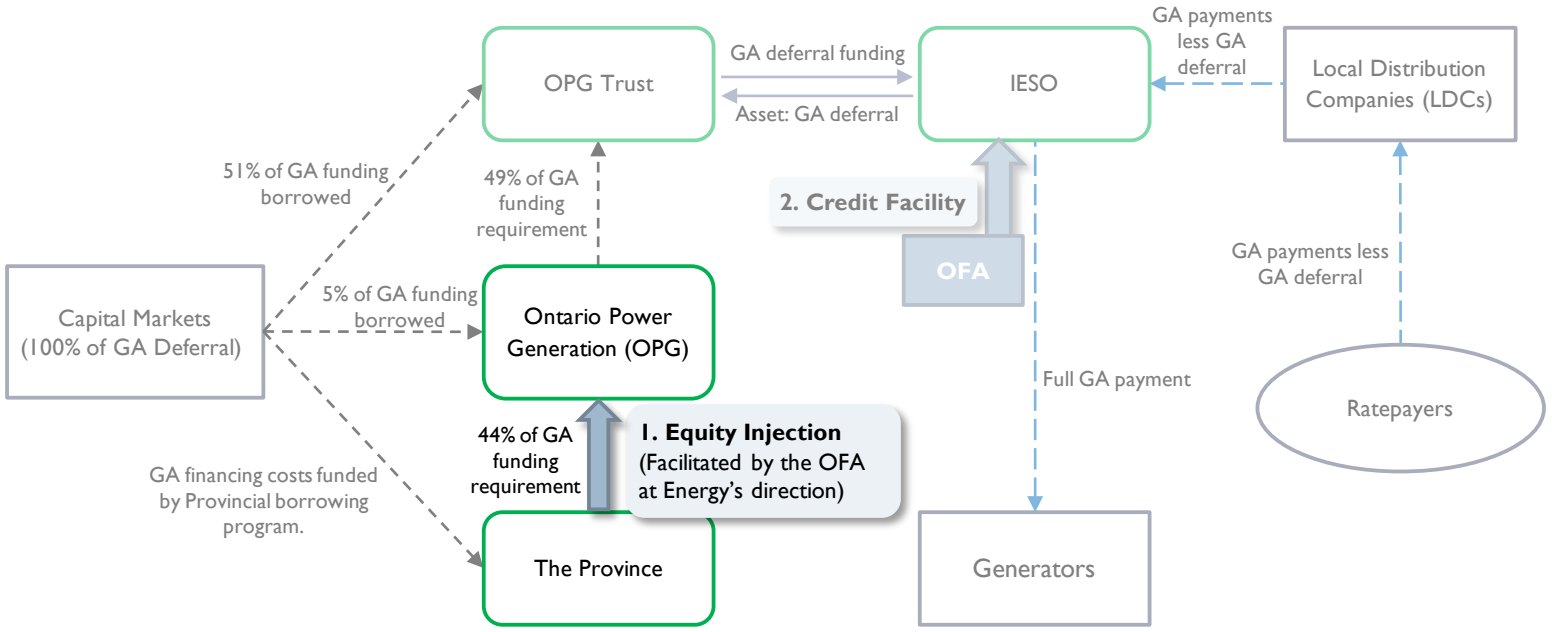
f. IESO sells this asset for cash to OPG Trust.

g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

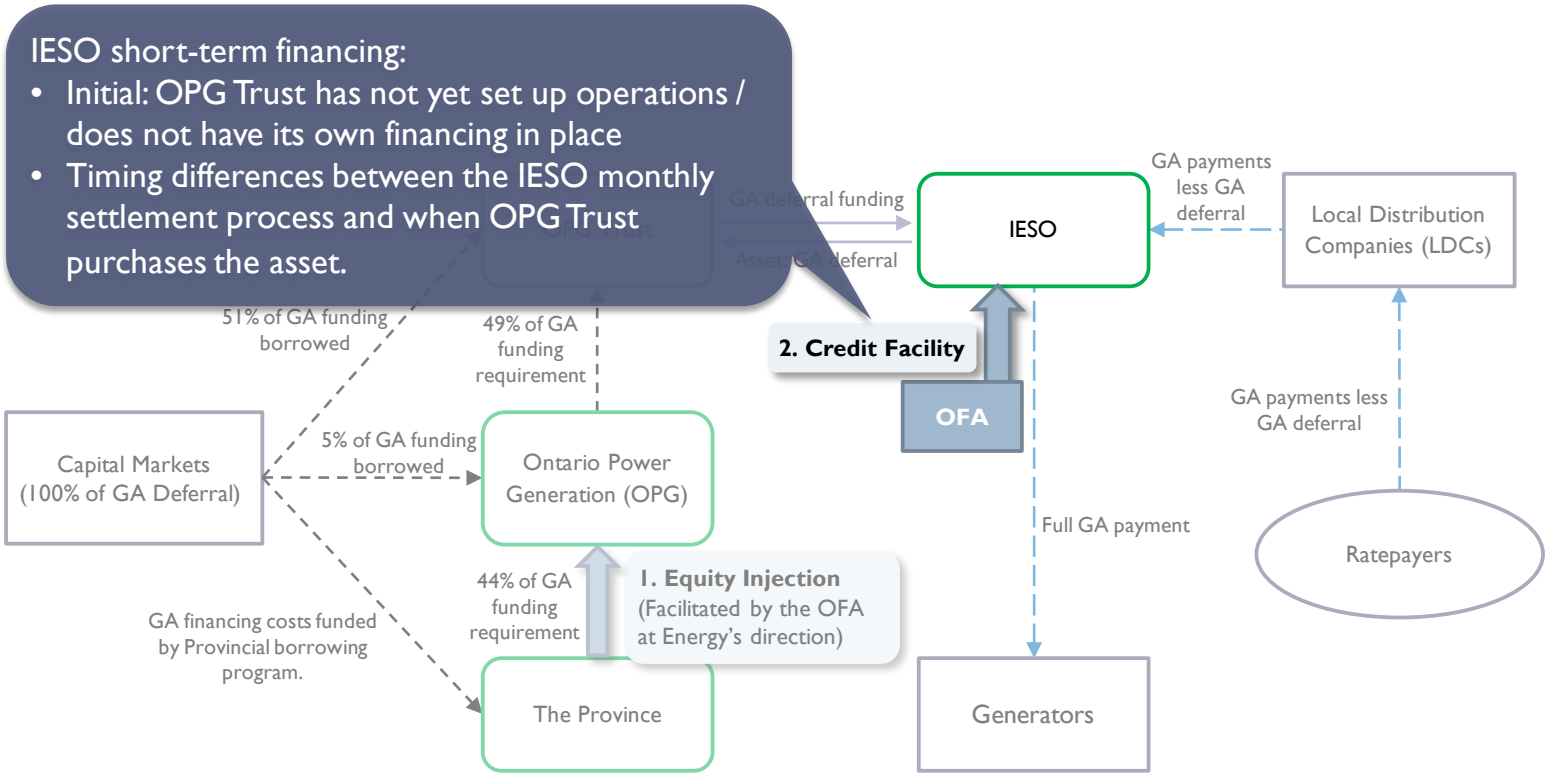
- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

OFA/IESO Credit Facility

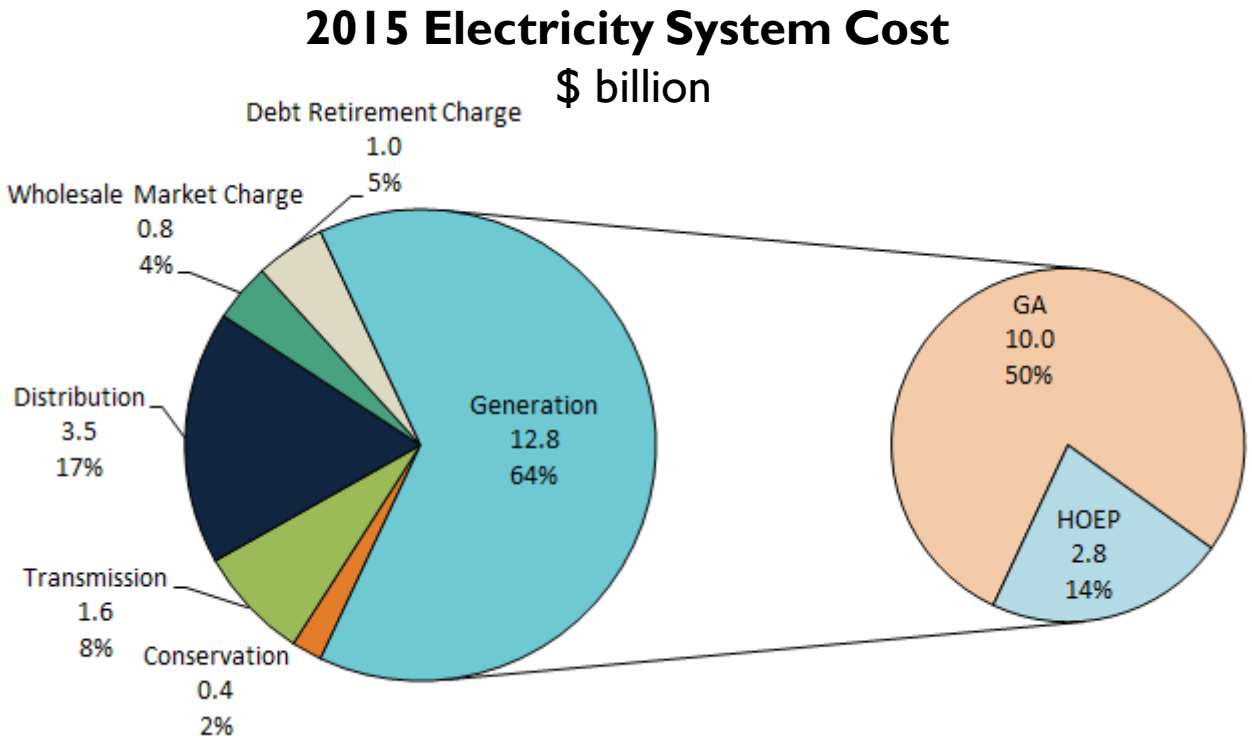
- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Appendix: Background

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

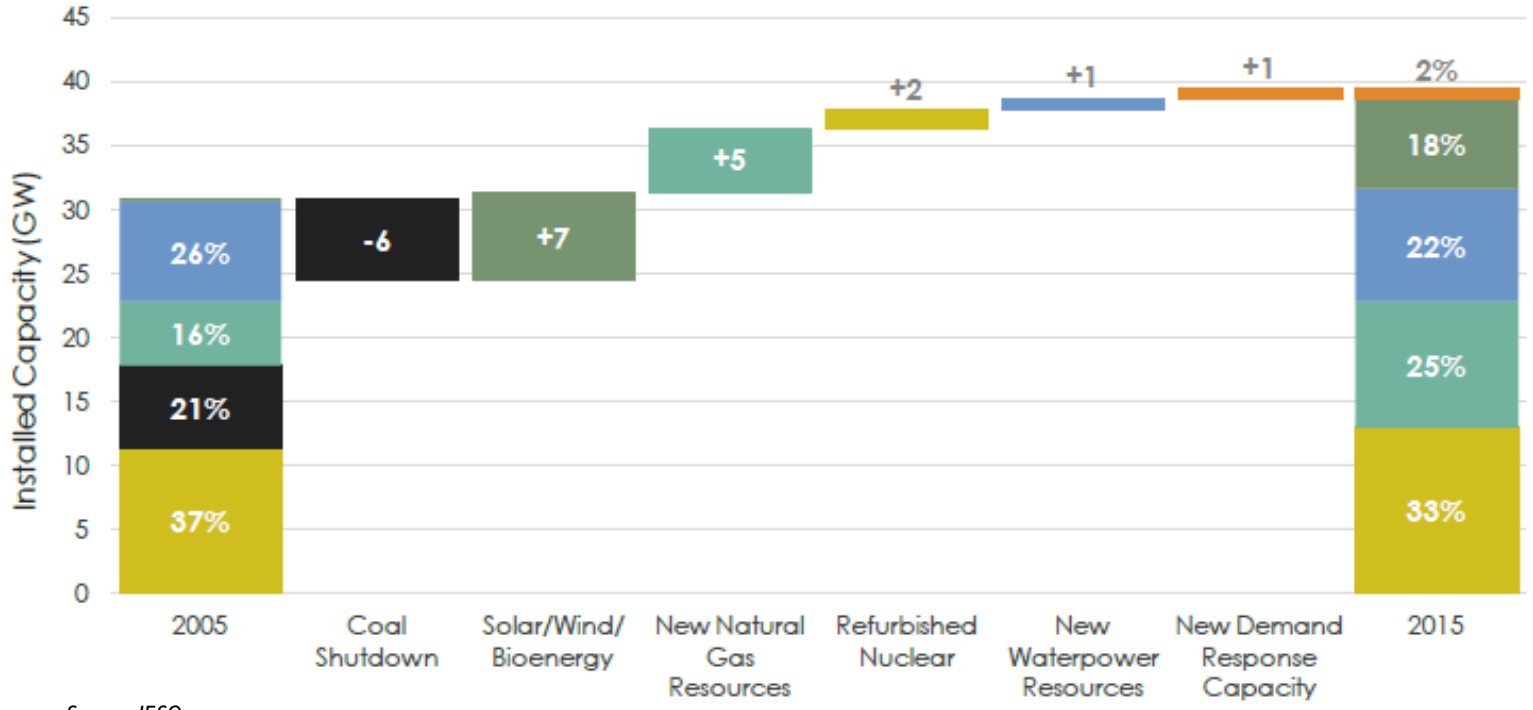
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

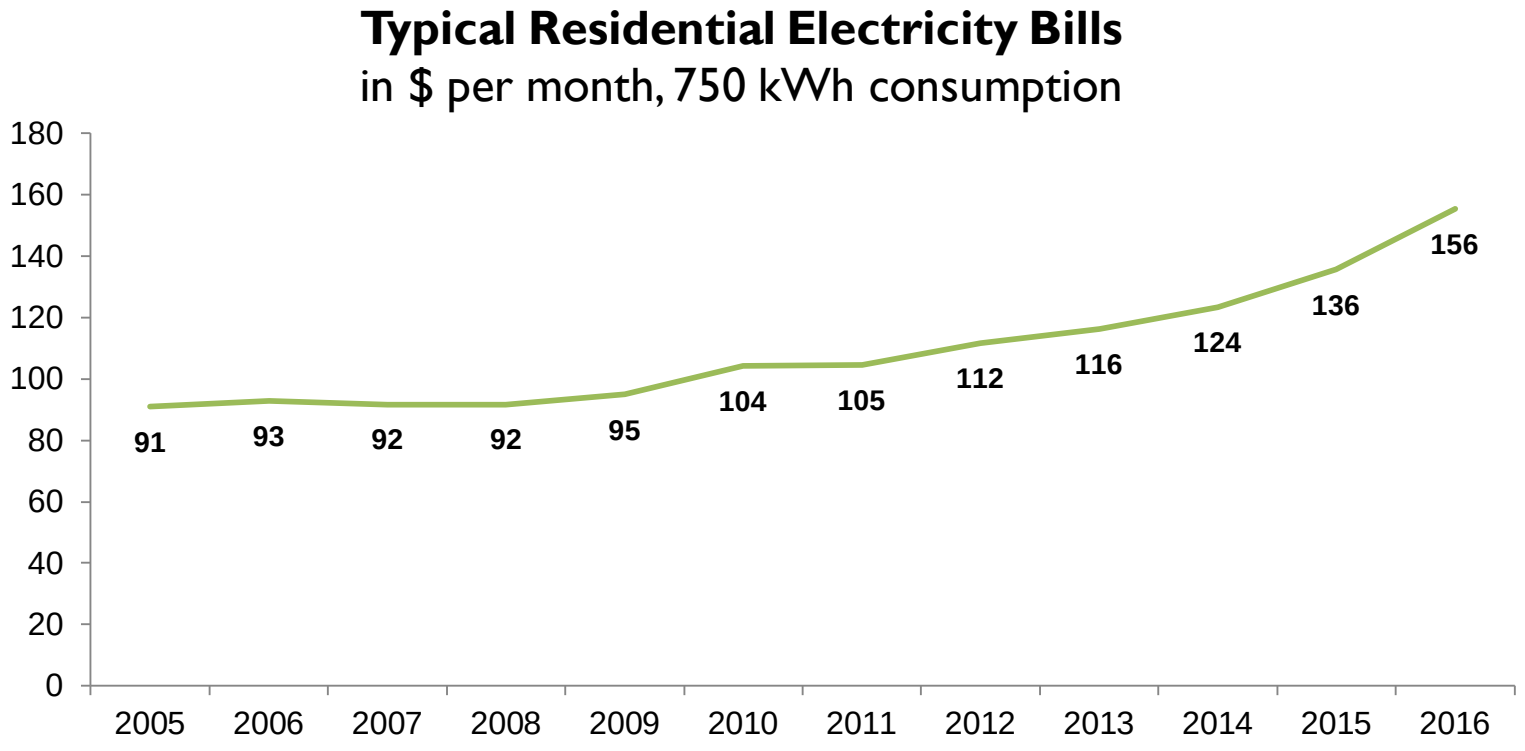
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From: Usman Zahid
To: Ronald Kwan
Subject: FW: MO Bi-Weekly Agenda
Date: Tuesday, November 21, 2017 5:52:06 PM
Attachments: Annotated Agenda MO Bi-Weekly Nov 21 2017.docx

Hi Ron,

A reminder on this.

Also wanted to follow up on the OMAFRA item. DMO has gotten several meeting requests in anticipation of a sign-off, and had questions about the sign off. I suggested that CQSD would be in the best position to provide more information.

Regards,
Usman

From: Usman Zahid
Sent: Friday, November 17, 2017 5:44 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the proposed MO Bi-Weekly Agenda for next week's meeting. Jonathan had asked that we include the OMAFRA Trillium Trust item. I passed this information on to SIFB, and they are okay with including it, however they did note that we are not coordinating the sign-off for the Minister. The sign-off was determined by CQSD and they are leading this, and as such would be in the best position to provide more information.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: November 21, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. IESO Credit Facilities

OFA Facilities

- On June 6, 2017, staff finalized the OFA IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan (FHP).
    - The existing $975 million facility is currently more than $800 million drawn.
    - On November 21, 2017, with the $2 billion facility now in place, the $975 million facility is scheduled to be reduced to $475 million. The date is for technical reason of allowing existing balance to mature and be transition to the new $2 billion facility

OEFC Facilities

- Staff are working to make technical amendments to the existing OEFC lending agreements.
    - In the amended OFA credit facility agreement and the new FHP facility agreement, technical amendments were made to add to the definition of "Permitted Liens".
    - This was to facilitate the IESO to enter into a Security Agreement with OPG Trust where during the initial four years of the global adjustment (GA) deferral, the Clean Energy Adjustment funds collected by the IESO would be considered to be subject to a lien, which would cause a default under the existing credit agreements unless the definition of the term is amended to allow for any liens arising from IESO's involvement in the FHP. This Security Agreement applies for the first four years of the FHP.
    - The same request would need to be made to the OEFC facilities to allow for the above mentioned Security Agreement.
    - According to IESO staff, TD, the other entity with the credit arrangement with the IESO, has already granted the change following IESO's request.

2. OMAFRA / MOI TRILLIUM TRUST DRAWDOWN INCREASE

- The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Ministry of Infrastructure (MOI) are tracking to TB/MBC on November 28 to request an increase to their expenditure appropriation for infrastructure projects that receive support from the Trillium Trust.

- Given the request for an appropriation increase, MOF/OFA/TBS staff advised OMAFRA and MOI that the submission should also request additional support from the Trillium Trust. The total additional support totals $9.5M.

- Since this impacts the Ministry of Finance, CQSD is co-ordinating the required changes and Minister's sign-off. CQSD should be in a position to provide more information on the item, if needed.

3. Impact of the FHP on Certain NUGs

- On November 16, 2017, the Minister of Energy sent a letter to the Minister of Finance providing support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
  a. A draft direction to OEFC is being prepared for consideration.
  b. If a direction is provided, staff for OEFC would proceed with consultations with affected NUGs to request their views on how GA deferral would be implanted in the calculation of indices used to determine escalation of PPA rates.

4. Ottawa River Water Powers Act

- On November 7, 2017, a meeting with Cabinet Office, MNRF, ENERGY and MOF was held to discuss an upcoming negotiation between Ontario and Quebec on water rental rates for hydroelectric stations on the Ottawa River. These water rentals are paid by Hydro Quebec to Ontario and by OPG to Quebec.
  - Meeting included discussion of background on this issue and broad discussion of considerations. MOF staff stated that the ministry has not yet established a position on the issue, but noted that MOF may prefer that any negative fiscal impact from lower revenues from Hydro Quebec to the province be avoided or minimised.
  - Representative from Cabinet Office Intergovernmental Affairs stated that as this is an operational issue, it would not be participating in negotiations, but could provide support.
  - A follow-up meeting is scheduled for December 5 which may include discussion on the development of Ontario's position on Ottawa River water rentals through consideration of each ministry's views on the issue.
- The current 25 year agreement sets rates to the end of 2017 and had included significant increases over that period.
- The current rates are now relatively similar to the rates for water power rentals in each of Ontario and Quebec for power dams on Provincial Crown lands.
  - Ontario's water power rentals are a component of the Gross Revenue Charge, established under the *Electricity Act, 1998*, and related regulations, under the authority of the Minister of Finance.
- MOF issues might include maintaining the fiscal plan framework and not be seen as setting an adverse precedent for Ontario's GRC.

5. Constance Lake First Nation (CLFN) Meeting Request

- Meeting between the Chief and the Deputy scheduled for November 22.
- CLFN has approached ENERGY seeking capacity funding for their advisor for discussions with OEFC/MOF.
    - ENERGY has indicated that they are amenable to providing such funding, but sought MOF's input on such funding being provided.
    - Staff provided feedback to ENERGY that this was for Energy to determine, noting that MOF would not be expressing an opinion on the matter.

OTHER ISSUES

6. Ministerial Lending Directive – OFA Loan to OCRC

- The Cannabis Secretariat is seeking a loan of up to $150M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set up costs, in accordance with policy approval obtained from Treasury Board on October 17, 2017.
- Recently introduced legislation establishing the new corporation is expected to be passed before the House rises in December.
- Prior to entering into a loan agreement with the OCRC in late December, the OFA will require a ministerial lending directive (target date: end of November/early December) authorizing it to make the loan. In addition, FAA s. 28 approval by the Minister of Finance will be required.

2. Amendments to MOF loan with the Power Workers Union (PWU)

- The Power Workers Union (PWU) has proposed amendments to its loan agreement with the Province to enable it to assign its beneficial interests in the trust it established for the purposes of the Hydro One loan transaction to a new trust. This new trust would have PWU's members as secondary beneficiaries, and the PWU as the primary beneficiary. The initial trust was established with the PWU as the ultimate beneficiary so that the parties could execute the Hydro One share sale transaction without a prospectus, with the PWU having sufficient assets to qualify as an accredited investor.
  - Tory's, the Province's external counsel on this matter, is planning to brief the Minister of Energy during the week of November 27th and would like to also brief the Minister of Finance the same week.
  - For transparency, the Minister needs an OIC in order to consent to this change. LRC approval of the draft OIC will be sought on December 11th.
  - A number of amendments to the loan agreement are being drafted. Minister approval will be sought following LRC approval.

3. Loan to St. Michael's Hospital (SMH) re: HOOP

- SMH has approached MOHLTC and OFA re: possible loan from the OFA/Province to finance the merging of their pension plan with HOOP. SMH does not have sufficient assets to finance the higher cost of HOOP benefits. Loan would not be required till January 1, 2019 but St. Mike's needs to commit to joining the HOOP plan by January 1, 2018 otherwise the cost will be even higher due to changes to HOOP benefits that will take effect January 1, 2018.
  - Estimated loan amount is $100 million for a term of 35 years.
  - SMH to provide business case to support their loan request
  - OFA to draft preliminary term sheet
- The MOHLTC Minister will have to write to the Minister of Finance requesting the OFA loan.
- The Minister of Finance will need to provide a directive to the OFA to make the loan.

From: Gavin He
To: Ronald Kwan
Cc: Angie Georgakakos
Subject: FW: MO Bi-weekly Agenda
Date: Monday, July 17, 2017 4:56:52 PM
Attachments: Annotated Agenda MO July 18 2017 CEFD_v1_Markup_SPFB.docx
FIN5171MC-2017-28.pdf

Hi Ron,

Please find attached the updated agenda for your review.

For your first inquiry on the Provincial Support Agreement update, John prefers just to have an oral update if you are okay with that approach?

Thanks,
Gavin He

From: Emily Kerr
Sent: Monday, July 17, 2017 4:45 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

I have responded to Ron's comments in the attached and added a section on the Algonquin land claim. Also attached is the date-stamped copy of the letter from the Minister of Finance to CLFN which Ron asks about in the agenda.

Emily

From: Gavin He
Sent: Monday, July 17, 2017 3:59 PM
To: John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: FW: MO Bi-weekly Agenda

Hi John/Emily,

Please see attached suggestions from Ron.

Regards,
Gavin He

From: Ronald Kwan
Sent: Monday, July 17, 2017 3:57 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

Some suggestions, as attached.

Thanks,
Ron

From: Gavin He
Sent: July-17-17 14:18
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the annotated agenda for your review.

Regards,
Gavin He

From: Gavin He
Sent: Friday, July 14, 2017 5:06 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Tuesday, July 18th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **noon on Monday, July 17th, 2017** for Ron to review? Sorry for the late notice.

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

STATIC TRACTS - A-ASSET OPTIMIZATION INITIATIVE ISSUES

1. [redacted] Wayne Gretzky's #99 retired by 4 major leagues

   - [redacted]
   - [redacted]
   - [redacted]

[redacted]

[redacted]

[redacted]

OTHER REGULATIONS

5. Second Monthly Report Only: Information to Include in Reports

- [redacted]
  - [redacted]
    - [redacted]
    - [redacted]

2. **College Class Exemption Regulation**

- MAECD Minister has sent a request to the Minister of Finance for a limited college class exemption regulation under existing ITA s. 236 based on materiality thresholds, as discussed.
- For assumed fiscal colleges are not opting-in by exempted entity as this is a beneficial practice of regulations under the national legislation – (including business income tax exemption under ITA s. 149(1)(t)).
- MAT Legal has prepared drafting instructions to Leg Counsel re: college class exemption based on materiality thresholds ~~and fiscal year-ends~~ (ITA 236(1.4)).
- MAECD to approve ~~submission to Minister of Finance~~ request for Minister of Finance approval of ~~exemption to Minister of Finance~~ regulation by late August.

3. **MAERD Loan Pr ogram: Int E ree gy Retrofit Pr ojects at C olleges and Universities**

- MAECD/MAERD will be seeking Treasury Board approval on July 25th of a $50MM loan program through the CEIL to finance energy retrofit projects at colleges and universities.
  - MAECD has been asked to provide a comfort letter signed by their Minister indicating MAECD's commitment to leadership this loan program.
- MAECD will be requesting a s.236 class exemption specific to this program, as some projects may not meet the applicable materiality threshold amounts set out in the current proposed exemption regulation.
  - MAT legal will be preparing drafting instructions for Leg C ounsel.
- Ministerial approval of the regulations will likely be sought in early August.

Ministry of Finance
Office of the Minister

7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Telephone: 416 325-0400
Facsimile: 416 325-0374

Ministère des Finances
Bureau du ministre

7e étage, Édifice Frost sud
7, Queen's Park Crescent
Toronto ON M7A 1Y7
Téléphone : 416 325-0400
Télécopieur : 416 325-0374

Ontario

JUL 0 7 2017

Chief Rick Allen
Constance Lake First Nation
PO Box 4000
Constance Lake, Ontario
P0L 1B0

Dear Chief Allen:

Thank you for your letter requesting that I convene discussions between Constance Lake First Nation (CLFN), Brookfield, and the Ontario Electricity Financial Corporation (OEFC) to address the potential refinancing of the generator debt outstanding on the Shakek-Nagagami hydro-electric generating facility.

I have been informed, and I am pleased to hear that the Ministry of Energy, Ministry of Indigenous Relations and Reconciliation and CLFN have reached an agreement with regard to addressing the lack of economic benefits from the Shakek-Nagagami hydro-electric generating facility to CLFN through the implementation of a Hydrology Adjustment to be administered by the Independent Electricity System Operator (IESO).

My colleagues, the Honourable Glenn Thibeault, Minister of Energy, and the Honourable David Zimmer, Minister of Indigenous Relations and Reconciliation, have also suggested that discussions take place between CLFN, Brookfield and OEFC on refinancing the generator debt of the Shakek-Nagagami facility.

My staff have been in contact with OEFC and I understand that staff for OEFC will be in contact with your advisor to arrange a time to meet and discuss. I will instruct staff on this file to keep me updated on this matter.

Thank you again for writing.

Sincerely,

Charles Sousa
Minister

c: The Honourable Kathleen Wynne, Premier of Ontario
The Honourable Glenn Thibeault
The Honourable David Zimmer
Deborah Richardson, Deputy Minister of Indigenous Relations and Reconciliation
Serge Imbrogno, Deputy Minister of Energy

From: Usman Zahid
To: Ronald Kwan
Subject: FW: MO Bi-weekly Agenda
Date: Wednesday, September 27, 2017 10:10:01 AM
Attachments: MO Bi-Weekly Sept 27 2017 CEFD_Markup2.docx
MO Bi-Weekly Sept 27 2017 CEFD v2.docx

Hi Ron,

All other directors are okay with changes. Francisco removed the ONFA item, as it was signed yesterday. Also attached is a clean version.

I will send just the table of contents for the electricity and asset optimization section to GBED, and send out the full table of contents to the meeting invitees.

Regards,
Usman

From: Francisco Chinchon
Sent: Tuesday, September 26, 2017 5:49 PM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Cc: Mara Bakic <Mara.Bakic@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Usman,

I removed the ONFA item as M signed today.

Thanks,

Francisco

From: Usman Zahid
Sent: Tuesday, September 26, 2017 5:45 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: FW: MO Bi-weekly Agenda

Hi All,

Please see edits from Ron.

Regards,
Usman

From: Ronald Kwan
Sent: Tuesday, September 26, 2017 5:36 PM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Usman,

See attached.

Ron

From: Usman Zahid
Sent: September-25-17 13:27
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Mara has asked to include a few additional edits. Attached is a markup relative to the version I send earlier today.

Regards,
Usman

From: Usman Zahid
Sent: Monday, September 25, 2017 11:20 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Attached is the proposed MO bi-weekly meeting agenda for the Wednesday, September 27, 2017 meeting.

Regards,
Usman

ARRHYTHMIA anything
MD CRNA DR - Expires Apr 12, 2017

1. ABCs (To Review) - Treatment Guidelines within Context
2. Initial assessment: Airway, breathing, circulation (ABCs) and rapid identification of life-threatening conditions
   a. Airway: Ensure patency, consider need for advanced airway management
   b. Breathing: Assess respiratory rate, effort, and oxygen saturation; administer supplemental oxygen if indicated
   c. Circulation: Evaluate heart rate, blood pressure, and perfusion status; establish IV access
3. Identification and treatment of reversible causes of cardiac arrhythmias
   a. Hypoxia: Correct with oxygenation and ventilation
   b. Hypovolemia: Administer fluids to restore adequate circulation
   c. Electrolyte abnormalities: Correct imbalances, particularly potassium, calcium, and magnesium
   d. Toxins: Identify and remove exposure to drugs or toxins contributing to arrhythmias
4. Use of antiarrhythmic medications based on specific arrhythmia diagnosis and clinical context
5. Consideration of non-pharmacological interventions, such as cardioversion or pacing, when appropriate
6. Continuous monitoring and reassessment of patient response to interventions and adjustment of treatment plan as needed
7. Collaboration with multidisciplinary team members, including cardiologists, nurses, and respiratory therapists, to optimize patient care and outcomes
8. Documentation of assessment findings, interventions, and patient response in accordance with institutional guidelines and legal requirements
9. Education of patients and caregivers regarding arrhythmia management, medication adherence, and lifestyle modifications to reduce risk factors and prevent recurrence
10. Ongoing quality improvement initiatives to evaluate outcomes, identify areas for improvement, and implement evidence-based practices in arrhythmia management

Public Finance Authority Board Meeting Agenda Packet Submitted by Staff

Item 4 – Discussion Items

4.1 – $750 Cr with Carr Hy

- Staff are working on finalize the $750 Cr credit facility for $2 billion for the implementation of the Port Hybrid Two.
  - Once the $750 Cr facility is fully operational, money rises $500 million down.
  - Once the $750 Cr facility is fully in port in place, the $675 million facility is to be reduced to $437 million.

- Pursuant to the CCRL Lending Policy, the CCRL is required to initiate an interrupt payment in respect of rails made by the CCRL to public bodies on an expenditure basis. The interrupt payment is due 30 days after the CCRL has made the Loan(s).
- Following the outcome of the CCRL's Lending Policy, the CCRL has reached out to the Ministry of Energy and ECC to fulfill the requirement to include an interrupt payment in Loan Facility agreements with the ECC.

4.2 – Contractor Lack Pre-Inclusion (CLIN) Advertising Request

4.3 – Wrong Advantage Power 1.0' – Federal C-ent Isolation

- Energy Advantage Power (1)* is planned to develop and operate electrical transmission and distribution lines in northeastern Canada (the "Project"). The Project is a joint venture between Hydro-Québec and Nalcor Energy. The Federal Power has to be supported by a possible contribution from the federal government. This financing structure and potential federal investment in a minority interest in the Project is referred to herein as the "Federal Power".
- **Shareholders Agreement** means the shareholders agreement dated [●], 2018 between the Corporation, Nalcor and TMX, amended from time to time.

2.1 RULES GOVERN

2.2 ROAD IS JAM per road of nation-wide Infidence Rules. A green set

- [redacted] advised [redacted] that [redacted] 25 [redacted] is the only viable candidate to expand to the east of its equity interest in [redacted] [redacted] [redacted]

ANNOTATED AGENDA
MO UPDATE: September 12, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. OPG / Province – Financial Guarantee with CNSC

- The Canadian Nuclear Safety Commission (CNSC) is holding a public hearing on October 11th in Ottawa regarding OPG's proposed 2018 – 2022 financial guarantee with the CNSC.
    - OPG's licence requirements require that OPG provide the CNSC with a financial guarantee to cover its nuclear decommissioning (including waste management) liabilities.
    - Under ONFA, the Province agrees to support OPG's financial guarantee requirement to the CNSC.
    - To-date, the financial guarantee has been satisfied by an agreement to provide CNSC access to the ONFA funds under certain circumstances, and a direct Provincial guarantee agreement to the CNSC. The Minister of Finance has previously signed both agreements on behalf of the Province.

- OFA, and MOF Legal staff attend the hearing on behalf of the Province and may be required to answer questions from the CNSC Members.

- Staff are preparing a briefing deck for the Minister in advance of the hearings, as the CNSC will be seeking confirmation on the Province's support of OPG's financial guarantee submission.

- The value of the segregated funds are currently sufficient to cover OPG's proposed financial guarantee requirements, and, therefore, OPG's proposal to the CNSC to satisfy the financial guarantee requirement relies solely on the value of the funds, without the requirement for a direct Provincial guarantee to the CNSC.
    - The Province is expected to receive questions on the proposed approach with no Provincial Guarantee.

2. IESO Credit Facility

- Staff are working to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $600 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $497 million.

- 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].

- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - Staff are waiting for comments from Energy and IESO and potentially anticipate an outreach from Energy at various levels.

3. Constance Lake First Nation (CLFN) Meeting Request

- Staff understand that a response letter has been sent to the Chief of CLFN proposing a meeting with the Deputy Minister.

4. Wataynikaneyap Power L.P – Federal Contribution

- Wataynikaneyap Power LP is planning to develop and operate electrical transmission and distribution lines in northwestern Ontario (the "Project"). The Project will be financed with equity, senior debt and, as proposed by Energy, a Provincial loan to be supported by a possible contribution from the federal government. This financing structure and potential federal contribution is currently under discussion between the provincial and federal governments.
- No updates since the September 18 meeting at which Energy and its negotiator presented to PO and CO its proposal for a Provincial loan to the Project. Staff from OFA and TBS attended this meeting.

OTHER ISSUES

5. OCGC S.28 Approval of Indemnities in Sidense Sales Agreement

- OCGC staff have advised OFA that s.28 approval is required in order for OCGC to provide certain indemnities in regard to the sale of its equity interest in Sidense.
    - In the sales agreement, OCGC is required to provide ownership and authority representations and to indemnify the purchaser if those representations are inaccurate.
    - According to OCGC staff, if s. 28 approval is obtained then OCGC would be able to execute the agreement and monetize its investment in Sidense, generating a positive fiscal impact of $7.7M. If s 28 approval is not obtained, there would be a negative fiscal impact of $2.7M.
- OCGC is working with staff at MRIS on the s.28 approval request package to be signed by their Minister.
- OCGC advised late last week that the target date for signing the agreement was planned for September 25th with financial close on September 29th. Apparently this timeline is being driven by the purchaser (a U.S. public company) that would like to disclose the purchase in its financial statements for this quarter.
- OCGC staff were advised by OFA staff that s.28 approval by Monday September 25th was not feasible given that (i) MRIS has not signed off on the s.28 approval request package, (ii) OFA and MoF Legal staff need time to review the documentation and (iii) both the Minister and DM of Finance will be out of the office until Thursday September 28th.
- Staff are working as expeditiously as possible, and pending receiving a complete, signed s.28 approval request from MRIS.

6. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
    - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

From: Usman Zahid
To: Ronald Kwan
Subject: FW: Mo Bi-Weekly Agenda
Date: Tuesday, October 24, 2017 12:02:11 PM
Attachments: Annotated Agenda MO Bi-Weekly Oct 24 2017_Markup3.docx

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I will send you a consolidated version momentarily

From: Francisco Chinchon
Sent: Tuesday, October 24, 2017 11:56 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Darren Scanlan <Darren.Scanlan@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi,

We accepted the changes and added the additional topics.

Thanks,

Francisco

From: Ronald Kwan
Sent: Monday, October 23, 2017 5:58 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi,

Some suggestions on the attached.

Ron

From: Usman Zahid
Sent: October-23-17 11:25
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly.

Karim has said that they do not have any significant updates, but they have updated language where appropriate. Not sure if you want to update MO again.

Additionally John has included language on the Hydro One OEB rate decision. As MO was updated on this during the last meeting, not sure if you would want to update again.

Regards,
Usman

STATIC TRACTS - & ASSET OPTIMISATION INITIATIVES- ISSUES

1. Exception to Rail Lines
2. Airport Link Rights
3. **BTEX Co-with Facility**
- Treasury has approved the deadline the BTEX credit facility for $2 billion for the implementation of the Rail Tunnel Plan.
  - The existing $75 million facility is currently more than [redacted]
  - Once the $2 billion facility is facility is put in place, the $75 million facility is to be cancelled by Treasury.
- Pursuant to the GSL Lending Policy, the GSL is required to terminate an intercept provision in respect of loans made by the GSL to public bodies on an unsecured basis, unless otherwise approved by the Minister of Finance (or Treasury Board or Cabinet).
- Part the requirements of the GSL Lending Policy, the GSL has reached out to the Treasury with query, and ETA to fulfill the requirement to consider an intercept [redacted] [redacted]
- [redacted]
  - BTEX responded that it would need to share the request with EFG, which has private sector, of any losses from the BTEX-to-the-RVF financing entity, in order to [redacted]

[redacted]

Should the Province enter into the Loan Agreement?

- Under the terms of the Loan Agreement, the Province will provide a loan to the CVC in the amount of $10.5 million to assist the CVC with the acquisition of lands and the construction of flood control infrastructure in the Central Valley.
- The loan will be repaid by the CVC over a period of 10 years, with an interest rate of 3.5%.
- The CVC has agreed to use the loan proceeds only for the purposes specified in the Loan Agreement.
- The Province has the right to inspect the CVC's books and records to ensure that the loan proceeds are being used for the intended purposes.
- The Province has the right to demand repayment of the loan if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Guarantee Agreement?

- The Province has agreed to guarantee the repayment of the loan by the CVC to the lender, which is the Central Valley Bank.
- The Province's guarantee is limited to the amount of the loan, plus any interest and fees that may be owed by the CVC.
- The Province has the right to demand repayment of the loan from the CVC if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Security Agreement?

- The Province has agreed to take a security interest in the CVC's assets to secure the repayment of the loan.
- The security interest will be in the form of a first charge on the CVC's assets, which means that the Province will have the first right to repay the loan if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Subordination Agreement?

- The Province has agreed to subordinate its security interest in the CVC's assets to the security interest of the lender, which is the Central Valley Bank.
- This means that the lender will have the first right to repay the loan if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to demand repayment of the loan from the CVC if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Intercreditor Agreement?

- The Province has agreed to enter into an intercreditor agreement with the lender, which is the Central Valley Bank.
- The intercreditor agreement will set out the rights and obligations of the Province and the lender in relation to the CVC's assets.
- The intercreditor agreement will provide that the Province will have the first right to repay the loan if the CVC defaults on its obligations under the Loan Agreement.
- The intercreditor agreement will provide that the lender will have the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The intercreditor agreement will provide that the lender will have the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Assignment of Rents and Leases?

- The Province has agreed to take an assignment of rents and leases from the CVC.
- This means that the Province will have the right to collect rents from the CVC's tenants if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Environmental Indemnity Agreement?

- The Province has agreed to indemnify the CVC for any environmental liabilities that may arise from the CVC's operations.
- This means that the Province will be responsible for any costs that the CVC incurs as a result of environmental contamination.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Insurance Assignment?

- The Province has agreed to take an assignment of insurance policies from the CVC.
- This means that the Province will have the right to collect insurance proceeds if the CVC suffers a loss.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Power of Attorney?

- The Province has agreed to take a power of attorney from the CVC.
- This means that the Province will have the right to act on behalf of the CVC in certain circumstances.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Pledge Agreement?

- The Province has agreed to take a pledge of the CVC's assets.
- This means that the Province will have the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Guarantee Agreement?

- The Province has agreed to guarantee the repayment of the loan by the CVC to the lender, which is the Central Valley Bank.
- The Province's guarantee is limited to the amount of the loan, plus any interest and fees that may be owed by the CVC.
- The Province has the right to demand repayment of the loan from the CVC

- This draft letter has been shared with El Hajraj at a staff lunch on Oct 12 and to date there has been no response.

[illegible] Limestone Lake Fire Station (CLFS) Meeting Progress

- [illegible]
- [illegible]

[illegible] Lakeview Quarry Land Purchase Negotiations

- LQ CE staff have submitted an update on the sale of the Lakeview lands as part of a [illegible] to the Limestone Lake Fire Station (CLFS) meeting progress to the Lakeview lands.
  - Lakeview Quarry (LQ) CE staff have submitted an update on the sale of the Lakeview lands as part of a [illegible] to the Limestone Lake Fire Station (CLFS) meeting progress to the Lakeview lands.
  - The [illegible] CFO commenced that it had begun the sales process for the Lakeview lands.
  - A preferred bid has been selected and an agreement of purchase signed. The [illegible] is expecting to receive the deposit cheque within the next week. It is, however, this price remains subject to negotiation following due diligence, with El expecting the purchaser to exercise decreased pressure once the site due diligence is complete.
  - El remains confident that the fiscal target for the Lakeview lands will be achieved if not exceeded.
  - The proposed closing date of March 30, 2026 has been accepted by the purchaser.

[illegible] William Street Brampton Update

- The response to delay for the modification to the 100wm Town of designated [illegible] of about $US80M from the sale of Fujitsu Brampton and Next on William.
  - With the filing of the regulation, Brampton Hydro Distribution Inc. will be required to pay these designated proceeds into the Consolidated Revenue Fund (CRF).
  - The CRF is the Province's general account that receives most of the payments relating to owner Wm-a-tab.
  - Brampton Hydro Distribution Town Trust still has dividends of $10MM ranging the total amounts credited to the TT to about $5.4 billion.
- Additionally, the Minister of Energy will issue a shareholder declaration and resolution to direct that Brampton Hydro Distribution Inc. is directed to the Province for the [illegible] of about $US80M from the sale of Fujitsu Brampton and Next on William.
  - The dividend is authorized at about $US75M, that is subject to change.
  - GBPD staff have recommended that a small tranche of funds (about $US4M) will be held back in the Brampton Hydro to cover potential expenses.

U-TRUST-ISOLATE

- [illegible] Project To Leverage Real-World Physical, and Colleges and Universities
- MAGTCO-MAGTC received Treasury Board approval on July 15th of a $30MM loan to be repaid through the CRU in finance energy retrofit projects at colleges and universities.
  - MAGTCO has been asked to provide a comfort letter signed by its Minister indicating the government's support for the project and the loan from other interest payments. The comfort letter has been drafted as well as an MOU between MAGTCO and CRU outlining duties and responsibilities for these loans, which is also in the process of being drafted.
- MAGTCO will be requesting an 18 to 24 date exemption specific to this program as the current proposed timelines potentially breach limit amounts set out in the current proposed exemption regulations.
  - MoF/TBS might have provided liability transactions re-org Counsel.
  - Ministerial approval of the joint MOT/TBS regulations is expected to be sought by the end of February, provided that Legal Services's ability to complete the wording of the regulations.

[illegible] MCSC – ILSA approval of all grades and solid if advanced Farmers

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From:	Usman Zahid
To:	Ronald Kwan
Subject:	FW: Mo Bi-Weekly Agenda
Date:	Friday, December 08, 2017 3:57:11 PM
Attachments:	Annotated Agenda_MO Bi-Weekly Oct 12 2017_v2 OCC.DOCX

Hi Ron,

Jonathan is asking for the Annotated Agenda for OCC. My understanding is that for this meeting a verbal update on the item was provided (as the updated note with this was not ready in time). Attached is the note which includes some bullets from CFB on OCC. Would it be okay to share with Jonathan?

Regards,
Usman

From: Usman Zahid
Sent: Thursday, October 12, 2017 2:45 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi Ron,

Francisco has provided some bullets for Lakeview and Garth has provided bullets on OCC. I did mention to John that you also added a heading for the H1 OEB rate decision.

Regards,
Usman

From: Ronald Kwan
Sent: Thursday, October 12, 2017 11:49 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Cc: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: Re: Mo Bi-Weekly Agenda

Hi Usman,

How about this? I added back in the IESO facility item, but made changes to it to make it more current.

I also added in the OCC Loan to the list, to give the MO a verbal update.

Ron

From: Usman Zahid
Sent: October 12, 2017 10:38 AM
To: Ronald Kwan
Subject: RE: Mo Bi-Weekly Agenda

Hi Ron,

Attached is an updated markup.

Regards,
Usman

From: Ronald Kwan
Sent: Thursday, October 12, 2017 1:19 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi Usman,

Some markups, as attached.

Ron

From: Usman Zahid
Sent: October-10-17 5:57 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly. John has said that he is okay if we choose not to include the credit facility item.

Regards,
Usman

ANNOTATED AGENDA
OPG APPLICATION - October 11, 2017

STAFF TRACTY TO ASSIST OPTIMIZATION REVISED 2017/10/05

1. OPG Financial Guarantee CNSC Hearing

- Under debate on the public hearing:

Decision

- Canadian Nuclear Safety Commission (CNSC) held a public hearing on October 11th in Ottawa regarding OPG's proposal (Item 2 – 2017 Financial guarantee to the CNSC)
- Staff's recommendation presents arguments that EPC provide the CNSC with a financial guarantee to cover its nuclear decommissioning (including waste management) liabilities.
  - Under CNSc, MoF motion argues to support OPGs financial guarantee requirement to the CNSC
  - To date, the financial guarantee has been established by an agreement to segregate funds in the Nuclear Fund, a trust fund for decommissioning, and a direct financial guarantee agreement to the CNSC.

- The value of the segregated funds are currently sufficient to cover OPGs decommissioning liabilities associated with the Pickering NGS, Darlington NGS and DGNPD, so called 'the financial guarantee requirement relies solely on the value of the funds, without the requirement for a direct Provincial guarantee to the CNSC.

2. IESO Credit Facility

- Staff are working to finalize the IESO's credit facility for $2 billion for the construction of the Darlington NGS.
  - The existing $0.75 million facility is currently more than $600 million drawn.
  - Once the $2 billion facility is ready to put in place, the $0.75 million facility is to be terminated.
- Pursuant to the IESO Lending Policy, the CNL is required to include an intercept provision in respect of loans made by the IESO to public bodies on an unsecured basis. The intercept provision is to be included in the Darlington NGS Project Cabinet.
- Under the provisions of the IESO Lending Policy, the CNL has reached out to the ministry with range, and IESO to fulfill the requirements to include an intercept provision in respect of loans made by the IESO to CNL.
  - IESO requested that it would need to share the revenue with OPG, which has receipts streams of payments from the IESO for the PWF financing entity, in order to mitigate the default financing.

- While staff time for bridging (ESC) currently has amounts appropriated (to fund the negotiations, the ESC has also asked for the transfer of Shortfall to include a provision for the Bridging Agreement, which is not currently appropriated for. This later funding and CPC seeking priority of payment may have an impact on the ESC seeking pro rata/overall premium as part of the credit facility for the BTCU.

3. In part of the OSP on Can-Am-NUs.

- Ministry officials have developed a recommended policy position and as that view (payable under the ESC) remains are unaffected by the deferral of a portion of the Bridging Agreement. Ministry officials are currently working on the Bridging Agreement.
- Ministry officials have drafted a potential letter from the Minister of Energy to the Minister of Energy to that would provide support for a drawing from the Ministry of Finance on CIF 10. In allow for discussions with affected Bodies on the potential drawing from the Ministry of Finance on CIF 10. In addition, if there is the reasons affected by the parties.
  - A potential letter from the Minister of Energy to a staff level.
  - A potential alternative that the Ministry of Energy may raise to a Minister of Finance to seek approval for the Ministry seeking a sign-back concurrence at the creditworthiness of the utility's return.

4. Commerce Lake First Nation (CLFN) Meeting Request

- In response letter, dated September 14, 2017, was sent to the Chief of CLFN proposing a meeting with the Deputy Minister.
- Meeting no hearing pending / TBD.

5. Wabigchamjay Power 'LP' – Federal E cert Sealant

- Federal Environmental Assessment Agency (FEAA) has been signed of Environmental Assessment Agency on the Wabigchamjay Power Plant ("Project") to be licensed with supply, section 46(4) and, as proposed by E-nergy, a Project will be the Project Agreement between E-nergy and the federal government. This financing revenues and potential federal contribution to currency and the Project Agreement between E-nergy and the federal government.
- As of September 24 meeting, E-nergy and its negotiator presented to PO and CO its position on Provincial cert sealant.
- E-nergy has not formally had further communications with the federal negotiator until a mediator at conditional 'set' at a cash term sheet and BCC.
- Ongoing.

6. Interest, Rent Income and Hiring

- Potential Court Injunction

7. Pyall school (SER: Trainee Acorn Rank Eradicate

- Potential Flood Impacts

c) Brief details

- Loan Program for Energy Retrofit Projects at Colleges and Universities

- MASCO-MAEDC received Treasury Board approval on July 27th of a $30MM loan program through the OIC to finance energy retrofit projects at colleges and universities.
  - Ms. Wynne has been advised to provide a comfort letter signed by the Minister indicating MAESD's commitment to maintaining this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and MAEDC, and is awaiting signature by the Minister's Chief of Staff.
- MAESD is also in discussions with MAEDC to determine benefits to the program as some of the projects will exceed the materiality threshold amounts set out in the Broader Public Sector Investment Act.
  - MoF/TBS legal are currently preparing drafting instructions for Legal Counsel.
  - Ministerial approval of the planned OIC/TBS regulation is expected to be sought by the end of October, provided that Legal Counsel is able to complete the drafting of the regulation.

5. Ottawa Convention Centre (OCC)- EIB Loan

- The OCC has an outstanding loan with the EIB, the original balance of which was $51.7M. The loan is repaid in semi-annual blended principal and interest payments of $2.5M each. The loan matures on December 15, 2020.
- As part of the Province's 2011 announcement that the Province would help to keep the convention centre operating, MAESD committed to cover the interest rate differential between the EIB loan and the Province's borrowing rate.
- Based on the most recent information, the annual blended payments are $2.5M, consisting of $1.5M in principal and $1.0M in interest.
- The Province's borrowing rate is 3.5%, while the EIB loan rate is 5.5%.
- The annual interest rate differential is 2.0%, which is applied to the principal balance of the loan.
- The annual interest rate differential payment is $1.0M.
- Because the principal balance declines over time, the annual interest rate differential payment declines over time.
- Based on the most recent information, the annual interest rate differential payment is $1.0M, consisting of:
  - $0.5M for the first half of the year, based on a principal balance of $25.0M; and
  - $0.5M for the second half of the year, based on a principal balance of $24.0M.
- Ministry staff are working with the OCC to determine the annual interest rate differential payment for the next fiscal year.
  - Most recent information from the OCC is $1.0M.
  - Most recent information from MAESD is $1.0M.
  - Most recent information from Treasury is $1.0M.

From:	John Kim
To:	Ronald Kwan
Cc:	Gavin He; Bruno Amara
Subject:	FW: OFHP - Outstanding business issues
Date:	Wednesday, May 31, 2017 12:03:26 PM
Attachments:	2017 05 31 Outstanding Business Issues Ontario Fair Hydro Plan - v02_Markup2.docx

Hi Ron,

Pls. see attached. Not perfect but CMD staff added some sections as well.

John

From: John Kim
Sent: Wednesday, May 31, 2017 11:55 AM
To: 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi Kaitlin,

On a second thought, I know that Scott asked Ron for comments. Given that, might be best it goes through that channel?

I can share the material with Ron shortly.

John

From: John Kim
Sent: Wednesday, May 31, 2017 11:52 AM
To: 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Should be sending you shortly.

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, May 31, 2017 10:42 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi all – just checking in on comments. ENE DMO is looking for this by noon so if you're able to share any comments shortly I would greatly appreciate it.

This version just includes one more item based on the term sheet OPG shared yesterday but I was

unsure about timing on that one.

Please let me know if you have any questions.
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: May 30, 2017 11:28 AM
To: Kim, John (OFA); Bruno Amara; Yep, Carlos (OFA)
Subject: OFHP - Outstanding business issues

Hi all,

ENE MO asked for a quick note on 4 of the outstanding business issues that are being worked through and are hoping to see something tomorrow morning.

I've pulled together a high level explanation of each of the items and next steps/timing (to the extent I know).

Would greatly appreciate if you guys could take a look and provide any edits/comments today/early tomorrow if possible. I'm also not too involved in a few of these discussions so if there's others within OFA you think should review feel free to pass along.

Thanks in advance,
Kaitlin

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. **Provincial Support Agreement Term Sheet (~~Service and~~ Performance and Payment 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
     - Timing: 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
     - Timing: [Next steps for a decision / when is a decision required / when would these regulation changes occur]

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (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
- **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

5. Subordinated Debt Loan Agreement

- OPG will lend the equity injection from the Province to the Fair Hydro Trust by way of subordinated debt
- Based on monthly funding requirements of the GA asset, the Trust will use short term financing and take out bonds once short term funding reaches certain levels
- OPG and OFA are working on a Debt Loan Arrangement which would establish the interest rates on the subordinated debt
- **Next Steps:**
    - OPG and OFA will bring forward a recommended framework for determining interest rates
    - Timing: TBD

6. IESO – Increased Credit Facilities

- The OPG financing entity has the right to purchase the regulatory asset from IESO but ~~does~~is not ~~have~~mandated to purchase it.

- IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
- **Next Steps:**
    - OFA is drafting a new agreement for a $2 billion credit facility for the OFA to lend funds to IESO for FHP purposes. Concurrently, the OFA is seeking LRC approval for a new $2 billion OIC, as well as a Directive from the Minister of Finance, which are both necessary for the OFA to lend funds to IESO under the new Credit Facility. .....
    - Timing: The OIC is scheduled as item for the June 27, 2017 LRC meeting. The Directive and Credit Facility Agreement are currently being drafted, to be in place by July 1st, 2017.....

7. OPG Indemnity

- OPG (and IESO) are asking for the Province to indemnify the IESO, OPG (the entities) and their respective directors, officers and employee in order to allow them to carry out their roles in implementing the Ontario Fair Hydro Plan and primarily the Global Adjustment refinancing.
- Depending on the structure of the indemnity requested, indemnity would be provided either under section 22 or under section 28 of the *Financial Administration Act.* [CEFD staff are assessing the request.]
- Consideration will need to be given as to how providing an indemnity will be perceived given that the GA refinancing structure is meant to be independent of the Province.
- **Next Steps:**
    - Staff in Ministry of Finance and Treasury Board Secretariat have received initial documents and are currently reviewing.
    - If the Province is to provide the indemnity, section 22(1) of the FAA specifies that an OIC will be required to authorize the Minister of Finance.
    - Upcoming Cabinet date is June 27, 2017, for which documents are past due. Next possible LRC/Cabinet date is scheduled for July 26, 2017.

From:	Ronald Kwan
To:	John Kim; Bruno Amara
Cc:	Deena Padamadan
Subject:	FW: OFHP
Date:	Tuesday, June 13, 2017 5:08:25 PM
Attachments:	Term Sheet_Master Subscription_draft June 13.docx 2017 06 13 Business Issues v01.docx Financing Trust - Performance Fee Recommendation.doc Term Sheet - Provincial Support Agreement - May 12.docx

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Hi,

Please review.

Thanks,
Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: June-13-17 16:27
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: OFHP

Hi Ron,

Please see the attached package of business issues for OFHP. We have also revamped the update note to shorten and simplify. We aren't sure whether we have the status right on these so hoping to get your perspectives.

Thanks,
Scott

Sent with BlackBerry Work
(www.blackberry.com)

Iron Spirits Plan – Master Technicians Agreement
Version 1.0 – Draft

- Parties: MPIs, IRA, Ministry of Energy
- The Province agrees to retain 40% of Base Rent for the period by way of equity contribution to MPIs, amortized over MPI's Iron Spirits Term Loan, unless the lease term **Majority** is extended.
- Ministry of Energy Resources approves Ready Spirits Plan, and Critical capacity system will not be shut down for repair, and emergency or unscheduled energy inefficiency for Replacement Ready Spirits Plan, and Emergency Plan.
- Long term, MPIs Majority Shareholder will find out will be business planning process, as part of the Iron Spirits Plan, and Emergency Plan, and Emergency Plan, and Emergency

(2) ... outsourcing personnel laboratorium dla ROD Jagiellonia Tłuszcz, zarządzenia wydanego przez Dyrektora Generalnego Lasów Polskich;

§2. Wprowadzić RPO do ROD Jagiellonia Tłuszcz

Zakres: Wdrożenie obejmuje: ROD Jagiellonia Tłuszcz, które w pozostałościowym lasach gatunkowych, w tym:

- Monitoring: Wdrożenie systemu monitoringu, który pozwoli na zbieranie danych o stanie lasu, takich jak wzrost drzew, zdrowotność oraz występowanie szkodników.
- Analiza danych: Opracowanie narzędzi do analizy zebranych danych, które pomogą w identyfikacji trendów i potencjalnych zagrożeń.
- Raportowanie: Regularne generowanie raportów dla zarządu ROD, które będą zawierały kluczowe informacje o stanie lasu oraz rekomendacje dotyczące działań.
- Szkolenia: Przeprowadzenie szkoleń dla pracowników ROD, aby nauczyć ich obsługi nowego systemu oraz interpretacji danych.

Lustiga farm. Nieuczciwy kapitalizm

- Aspekty finansowe projektu: Koszty wdrożenia: Szczegółowe zestawienie wydatków związanych z zakupem sprzętu, oprogramowania oraz szkoleń.
- Źródła finansowania: Informacje o tym, skąd pochodzą środki na realizację projektu (np. budżet ROD, dotacje, fundusze).
- Harmonogram wdrożenia: Szczegółowy plan działań: Podział projektu na etapy z określeniem terminów realizacji każdego z nich.
- Kamienie milowe: Wyznaczenie kluczowych momentów, które będą świadczyć o postępie prac.
- Odpowiedzialność: Określenie osób lub zespołów odpowiedzialnych za poszczególne zadania.
- Ryzyka i sposoby ich minimalizacji: Identyfikacja potencjalnych zagrożeń: Wymienienie możliwych problemów, które mogą wystąpić podczas realizacji projektu (np. opóźnienia, przekroczenie budżetu).
- Plan działań zapobiegawczych: Opisanie sposobów, w jaki zamierzamy uniknąć lub zminimalizować wpływ zidentyfikowanych ryzyk.

Nazwa: Modernizacja Lasu

- Nazwa – pełna nazwa lasu, dla którego tworzony jest plan, np. Nadleśnictwo Kozienice.
- Okres obowiązywania planu: Określenie daty rozpoczęcia i zakończenia realizacji planu, zazwyczaj na okres 10 lat.
- Cele ogólne: Ogólne założenia dotyczące przyszłości lasu, np. zwiększenie jego odporności na zmiany klimatyczne, poprawa bioróżnorodności.
- Cele szczegółowe: Konkretne, mierzalne cele, które chcemy osiągnąć w danym okresie, np. zwiększenie powierzchni lasów mieszanych o 10%.
- Opis drzewostanów: Charakterystyka poszczególnych drzewostanów, ich wiek, skład gatunkowy, zasobność.
- Siedliska: Opis siedlisk leśnych, ich typów i cech.
- Zagrożenia: Identyfikacja potencjalnych zagrożeń, takich jak szkodniki, choroby, pożary, wiatrołomy.
- Zabiegi hodowlane: Szczegółowy opis planowanych zabiegów, takich jak cięcia pielęgnacyjne, cięcia rębne, sadzenie, zalesianie.
- Ochrona przeciwpożarowa: Opis działań mających na celu zapobieganie pożarom i ograniczanie ich skutków.
- Ochrona przed szkodnikami: Opis metod zwalczania szkodników i chorób.
- Udostępnianie lasu: Opis dróg, ścieżek i innych elementów infrastruktury umożliwiających dostęp do lasu.
- Gospodarka łowiecka: Określenie zasad gospodarki łowieckiej, w tym liczebności populacji zwierząt.
- Edukacja ekologiczna: Opis działań edukacyjnych, mających na celu zwiększenie świadomości ekologicznej społeczeństwa.
- Monitoring: Opis systemu monitoringu, który pozwoli na ocenę realizacji planu i jego wpływu na środowisko.
- Mapy: Załączenie map przedstawiających granice lasu, drzewostany, siedliska, infrastrukturę.

Nazwa: Modernizacja Lasu

- Nazwa – pełna nazwa lasu, dla którego tworzony jest plan, np. Nadleśnictwo Kozienice.
- Okres obowiązywania planu: Określenie daty rozpoczęcia i zakończenia realizacji planu, zazwyczaj na okres 10 lat.

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
1. Guarantees	• Province to provide assurances that obligations of IESO will be carried out	• Draft Term Sheet • Performance Guarantee* • Service Guarantee*	• OFA to provide comments on draft term sheet to OPG • [??] to draft Guarantees **Timing:** End of July
2. PILs Exemption	• Province to minimize PILs payable by OPG financing vehicle so they are not passed on to ratepayers	• Torys Memo • Regulation *	• MOF Tax Policy to explore opportunity to provide Minister letter to assist in rating agency review • MOF legal to draft regulation **Timing:** Regulation by August/September
3. Equity Injection	• OPG will require monthly equity injections facilitated by ENE and OFA • Amendment to articles is required for OPG to issue new class of shares	• Draft Term Sheet • Master Subscription Agreement* • Service Level Agreement* • Notice of Subscription* • Amendment to Articles*	• OFA to provide comments on equity injection term sheet • OFA to draft SLA for cash management services • OPG to draft MSA and Notice once Province is comfortable with the term sheet • OPG to draft amendment to articles **Timing**: End of July
4. Management Fees	• OPG is allowed to charge a management fee for its services made up of 1)base fee and 2) performance fee	• Draft Base Fee framework • Draft Performance Fee framework • Regulation*	• OEB to provide comments on draft base fee framework • OFA to provide comments on performance fee framework • ENE to draft regulation **Timing**: LRC on June 27th
5. Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement*	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: ??
6. Increased Credit Facilities	• To help IESO manage monthly cash flow requirements associated with its role in OFHP	• Credit Facility Agreement* • OIC*	• OFA drafting Credit Facility Agreement and OIC **Timing:** LRC on June 27th
7. Indemnities	• MOF to provide	• S.28 Business Case	• ENE to provide responses to OFA questions

for IESO and OPG	indemnities to OPG and IESO Directors, Officers and Employees	• Draft Indemnity	**Timing:** July

***In development**

FINANCING TRUST – PERFORMANCE FEE TO OPG

BACKGROUND

Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest. A performance fee relating to the funding obligations will be meaningful and allow OPG to make decisions that will significantly impact its return. The Act as drafted enables OPG to achieve its accounting objective of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.. The objective therefore is to recommend a reasonable variable performance fee structure for OPG to earn a return from the Trust, and meet the accounting requirement.

ANALYSIS OF ACCOUNTING REQUIREMENT

To support the accounting consolidation, OPG's variable performance return will be accomplished through the followings:

a. The cash flow from the investment asset shall include interest determined based on a relevant benchmark that is appropriate relative to the investment asset, plus an appropriate margin consistent with the relevant market and other risks
b. OPG shall have the authority to determine the financing strategy, which will vary the financing costs with the objective of enabling the Trust to achieve a more favorable return compared to the benchmark for interest on the investment asset
c. The Trust shall establish different classes of debt (senior, subordinated and the most subordinated). The classes would allow the Trust to delineate financing of lower risk investment and investment that would bear higher residual risk. The delineation would limit OPG's self-funded investment to a reasonable level in order to allow OPG to remain a self-sustaining entity.
d. OPG shall, through its ownership of the most subordinated liability, be able to capture and retain the pricing difference between cost of financing and benchmark for interest on the investment asset, or any residual risk of investment asset. The targeted return of the subordinated debt should be reflective of the underlying risks and compensate holders for active management that would be required.

PERFORMANCE FEE ANALYSIS

Based on the accounting requirements, the recommendation is for OPG to establish a variable performance fee structure as follows:

As the Trust may issue both long term bonds and medium term notes, benchmarks based on various terms, will be established on an annual basis, subject to the following methodology:

- Benchmarks will be established as the sum of (1) reference rate, and (2) spread
    - Both reference rate and spread will be term dependant

- For bond/note issuance, reference rate will be GOC rate of equivalent term
- Reference rate will be based on consensus forecast provided by various financial institutions

- Benchmarks will be established based on the weighted average rate of incremental debt issuance at the Trust level
- If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss
- Variable performance fee, i.e. gain/loss, is applicable only to OPG's investment in the Trust (5% of the funding requirement), and is capped at benchmark weighted average rate +/-1%

An example illustrating this structure is detailed in Appendix 1

APPENDIX 1

The illustration is based on the expected Trust debt structure as follows:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via OEFC	39%
Tranche C Sub Debt	the most risky	OPG via OEFC	5%
		OPG via Capital Markets	5%

1. Benchmark is to be established at each year end for Trust issuance next year. In this example, assuming the following benchmark is established as of end of Yr 1

		Benchmark
Tranche A	51%	4.25%
Tranche B Sub Debt	39%	5.50%
Tranche C Sub Debt	10%	6.50%
Weighted Average Rate		**5.0%**

2. By the end of Yr 2, OPG will calculate the actual weighted average rate for all incremental issuance for the year. If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss.

	Allocation	Benchmark	Actual
Tranche A	51%	4.25%	5.0%
Tranche B Sub Debt	39%	5.50%	5.60%
Tranche C Sub Debt	10%	6.50%	6.60%
Weighted Average Rate		**5.0%**	5.4%
		Loss	0.4%

3. Variable management fee, i.e. gain/loss, is applicable only to OPG's investment (5% of the Trust funding requirement), and is capped at benchmark weighted average rate +/-1%.

   Based on the example above and assume incremental Trust issuance is $2B, OPG will realize loss of variable performance fee of 0.4M ($2B*5%*0.4%)

Provincial Support Agreement Term Sheet

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") on behalf of itself and all other persons having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee, the trustee of the Financing Entity if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[1] after all funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.

[1] This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

Performance Guarantee:	Under the Master Sale and Servicing Agreement to be entered into by IESO and the Financing Entity, **[and OPG as Financial Services Manager]** ("**MSSA**"), IESO will have obligations both as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the Beneficiaries for any losses that result.
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) the Legislative Assembly of Ontario repeals the Act; or (B) the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.

Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than one year] shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid all Beneficiaries in full, to the extent of such payments the Guarantor shall be subrogated in and to all the rights of recovery of the Beneficiaries in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all indebtedness and obligations owing to the Beneficiaries, the Indenture Trustee will acknowledge and agree on behalf of the Beneficiaries that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiaries have or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.

Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

From:	John Kim
To:	Ronald Kwan
Subject:	FW: OFHP Business Issues
Date:	Thursday, November 23, 2017 2:00:18 PM

Fyi, does this answer your question?

From: Lewis, Robin (MOF) [mailto:Robin.Lewis@ontario.ca]
Sent: Thursday, November 23, 2017 1:59 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

John,

Sorry, this is a minister's reg. Not LRC.

Our issues are with the drafting by legislative counsel - the house's lawyers.

Regards,

Rob

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 23, 2017 1:56 PM
To: Lewis, Robin (MOF)
Subject: RE: OFHP Business Issues

Just saw an email about this….so this will be done through LRC and not Minister's reg? Could we get a draft submission?

John

From: John Kim
Sent: Thursday, November 23, 2017 1:46 PM
To: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: FW: OFHP Business Issues

Hi Rob,

Hope all is well.

Would you let me know what the status is on the PILs regulation as was discussed in one of these slides?

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, October 30, 2017 11:46 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Kuppuswami, Kritika (MOF) <Kritika.Kuppuswami@ontario.ca>
Subject: RE: OFHP Business Issues

Hi everyone,

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Could you please take a look and provide any comments midday tomorrow.

Hilary – I think you guys would lead slides 6/8 but please let me know if that's not the case.

Thanks in advance,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: September 29, 2017 1:27 PM
To: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>
Cc: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
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I'm away next week but if you could provide your suggested edits to Keley by next Wednesday we would appreciate it. The briefing has not yet been set up so we will keep you posted if that timing needs to change.

Thanks in advance,
Kaitlin

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From: John Kim
To: Ronald Kwan
Cc: Gavin He
Subject: FW: OFHP Business Issues
Date: Wednesday, November 08, 2017 2:35:28 PM
Attachments: 2017 10 30 OFHP Business Issues v05.pptx
RE OFHP Business Issues.msg
RE OFHP Business Issues.msg

Hi Ron,

Could we get back to Steen's group at staff level? We reflected comments from FTD and CMD as attached.

Thanks,

John

From: Cox, Hilary (ENERGY) [mailto:Hilary.Cox@ontario.ca]
Sent: Wednesday, November 08, 2017 1:05 PM
To: Montgomery, Kaitlin (MOF) <Kaitlin.Montgomery@ontario.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hi John –
Please send your deck edits by end of day.

HC

From: Montgomery, Kaitlin (MOF)
Sent: November 2, 2017 12:49 PM
To: Kim, John (OFA) <John.Kim@ofina.on.ca>
Cc: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>
Subject: RE: OFHP Business Issues

Hey John – when you have an update in terms of timing of the edits please let Hilary know – she'll be taking over this product moving forward.

Kaitlin

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 2, 2017 8:37 AM
To: Montgomery, Kaitlin (MOF)
Subject: RE: OFHP Business Issues

Thanks Kaitlin…also I owe Keley something, I'm following up with Ron on that too.

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Thursday, November 02, 2017 8:36 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

No worries – there's no meeting set up MO is just looking for a product as soon as possible. Totally understand there's a lot on the go though, so let me know what timing you think is doable and ill manage expectations over here.

Kaitlin

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 2, 2017 8:34 AM
To: Montgomery, Kaitlin (MOF)
Subject: RE: OFHP Business Issues

Hi Kaitlin,

With FES activities and others, I need more time. Are you working towards a timeline?

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, November 01, 2017 9:21 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Kuppuswami, Kritika (MOF) <Kritika.Kuppuswami@ontario.ca>
Subject: RE: OFHP Business Issues

Just flagging this one – please send your content over as soon as possible today.

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: October 30, 2017 11:46 AM
To: Cox, Hilary (ENERGY); Shear, Dan (ENERGY); Thouin, Alena (ENERGY); Kim, John (OFA) (John.Kim@ofina.on.ca); Lewis, Robin (MOF); Sud, Manu (ENERGY)
Cc: Katona, Keley (MOF); Kuppuswami, Kritika (MOF)
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Thanks in advance,
Kaitlin

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OFHP Business Issues

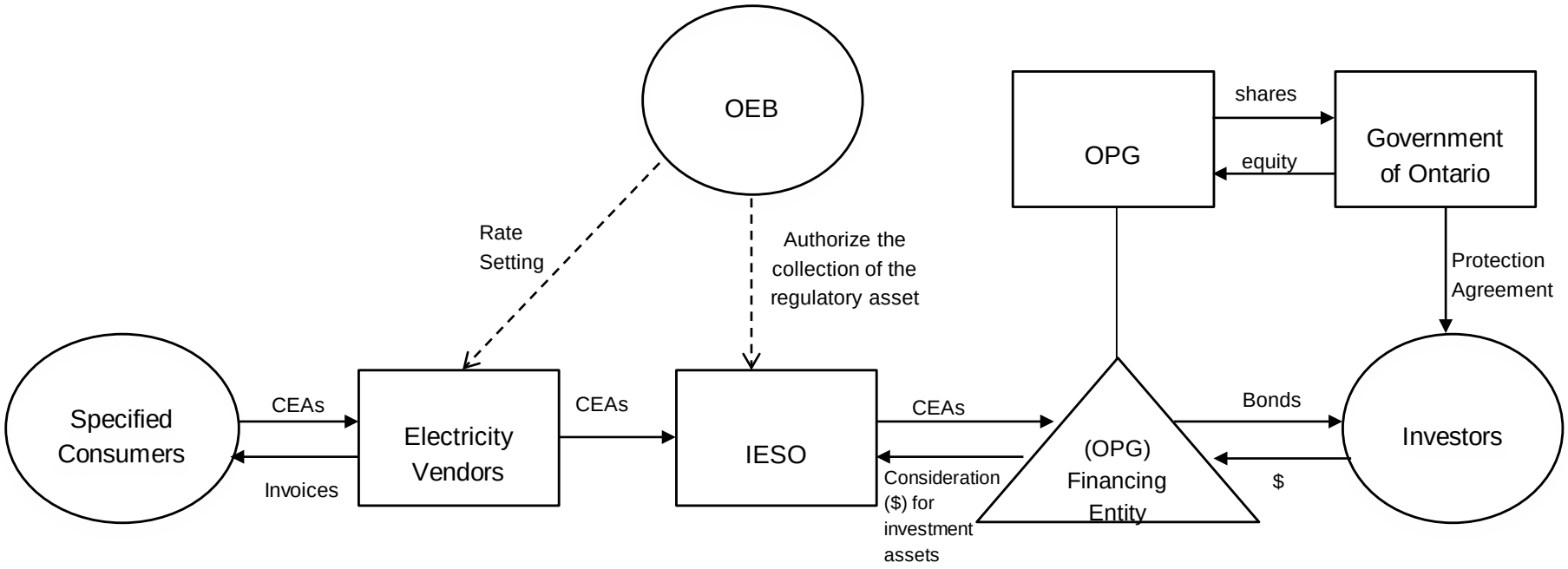
DRAFT – September 11, 2017

CONFIDENTIAL & COMMERCIALLY SENSITIVE

Context: GA Financing

- The *Ontario Fair Hydro Act, 2017,* enables the IESO to establish a variance account to record the deferral amounts from the difference between collections from current ratepayers and payment obligations to generators and conservation, and to create a regulatory asset as the Act provides the IESO the right to recover the balance in the variance account
  - The IESO can then sell the regulatory asset – the right to recover those deferred amounts from specified consumers in the future
  - OPG, as the Financial Services Manager, is authorized to establish one or more financing entities that may incur funding obligations
  - A financing entity purchasing the regulatory asset would effectively finance the IESO's shortfall in current rates not received from ratepayers
- In order to support the establishment of a financing entity, facilitate ongoing funding requirements of the Global Adjustment and optimize ratepayer impacts, OPG and the Province are working on finalizing the details for a number of business issues, including
  - ~~Provincial Protection and Assurances Agreement (PPAA)~~ Change of Law Protection Agreement
  - Fair Allocation Amount (FAA)
  - Management Fees Regulation
  - Moratorium Period Interest and Fee Recovery
  - Equity Injections
  - Subordinated Debt Agreement
  - PILs Exemption

Global Adjustment Refinancing – Roles and Responsibilities



Note: CEAs are “clean energy adjustments”

~~Provincial Protection and Assurances Agreement~~Change of Law Protection Agreement

Overview:

- To purchase the regulatory asset from the IESO, the Financing Entity must borrow a portion of the funds from capital markets (planned to be 51%, with other financing to come from OPG and, indirectly, the Province)
  - OPG's financial advisors have indicated that without adequate protection against legislative, judicial and organizational risk, the debt would not be financeable or would result in higher financing costs, to be passed on to ratepayers
- Upon receiving TB/MBC approval, and as contemplated under the Act, the Ministers of Energy and Finance have the authority to negotiate and enter into a protection agreement that supports the Financing Entity and prospective debt holders such that the Province would take over the funding obligations of the Financing Entity, under certain circumstances, including
  - Actions of the Legislative Assembly that undermine the financing arrangement; i.e., repeal or amendment of the Ontario Fair Hydro Plan Act, 2017, or new legislation that adversely affect the Financing Entity
  - A court decision that declares the rights of the Financing Entity to recover amounts from ratepayers to be invalid or unenforceable
  - Changes to the organization, structure or operations of IESO or a change in the electricity market structure or operations that adversely affects the ability of the Financing Entity to recover amounts related to funding obligations.

~~Provincial Protection and Assurances Agreement~~Change of ~~Law Protection Agreement~~ (Con't)

- In the event the protection agreement is triggered, the Province will be required to pay the obligations of the Financing Entity including principal and interest payments on debt issued to date, any payments to derivatives counterparties and any outstanding payments to service providers
  - The Province could potentially service the debt and other obligations and could replace OPG as the financial services manager
- The protection agreement may need to be revised at a future date, or approval from the Province may be required, if the financing entity must access the U.S. market as investors in that market will likely require additional compensation if the assumption agreement is triggered
- The Province will take on a contingent liability, which will increase over the duration of the Fair Hydro Plan and peak at an estimated $20B of debt (final cost forecasts TBC), including principal and accumulated interest
- In the event the protection agreement is triggered, the Province's net debt will most likely increase by an amount equal to the contingent liability at that point in time
  - The Province's interest payments will also increase by the debt interest servicing of the debt payment obligations it has assumed under the protection agreement
  - IOD expense may increase between $0.8B and $1.0B per annum, assuming the protection agreement is triggered when debt is at its peak, and depending on the interest rate at which the Financing entity will be able to borrow at

Next Steps:

- Province to work with OPG and external legal counsel to finalise the Protection Agreement

Fair Allocation Amount

Overview:

- xx

Next Steps:

- Xx

Management Fees Regulation

Overview:

- Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest.
- The Act enables OPG to achieve its objectives of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.
- The fee will have a fixed and variable component and be determined by formulas set out in a regulation, which as currently drafted includes:
    - **Base fee**: Monthly fee calculated as 7.5 basis points on monthly funding obligation. The base fee will be independently reviewed in 2018.
    - **Variable fee**: Annual fee of 5% of the difference difference between forecast and actual interest rates achieved for each of its funding tranches. The variable fee in any one year will be no more than 5 basis points of the net annual borrowing and can be no less than -5 basis of the net annual borrowing. If the variable fee is a negative amount, such amount will be deducted from the base fee in the following calendar year in twelve equal monthly payments
- The OEB will have a role in reviewing OPG's fees to ensure that the fees are consistent with prevailing market comparators

Next Steps:

- The Province is working with the OEB and OPG to develop a regulation setting out how the fees would be calculated including appropriate comparators for the OEBs review

Moratorium Period Interest and Fee Recovery

Overview:

- xx

Next Steps:

- Xx

FTD OFA Comment: Is the recovery limited to IESO's interest costs on the credit line or does it extend to the interest costs of the financing entity over the four years in question?

Equity Injections

Overview:

- To purchase the regulatory asset from the IESO, an OPG financing entity would be established and borrow funds from the following:
  - Capital markets (51%)
  - Subordinated OPG debt, financed through equity injections from the Province (44%) and OPG, financing from capital markets (5%)
- OPG will require equity injections on an ongoing basis in order to provide the 44% share of financing for the financing entity to acquire the regulatory asset from IESO and keep its capital structure in line, and will require flexibility in order to issue shares to the Province as needed, under a share subscription agreement
- The Ministry of Energy will be responsible for seeking approval for the investment envelope each year and managing the share subscription arrangement with OPG
  - On a periodic basis, OPG will send a notice of share subscription to the Ministry of Energy, requesting a certain amount of equity based on the amount of the regulatory asset it plans to purchase in a fiscal year; the Ontario Financing Authority will flow the funds

Next Steps:

- OPG and the Ministry of Energy have approved the Master Subscription Agreement and will proceed to execute in the coming weeks
- The Ministry of Energy will work with the OFA to ensure a mechanism is in place to flow the funds within the required timeframes after the request is made by OPG

Subordinated Debt Agreement

Overview:

- OPG intends to lend the equity injection from the Province to the Trust by way of subordinated debt and junior subordinated debt
- OPG proposes that OPG, the Fair Hydro Trust and the OFA will enter into a subordinated debt loan agreement, which outlines the terms of the subordinated debt [TBD]
- OPG has proposed that interest rates on the subordinated debt be established as follows:
  - During the Trust short term financing period, when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt [TBD]
  - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. [TBD]

Next Steps:

- OPG to incorporate the Province's comments into the next draft of the Subordinated Debt Agreement, which is tracking to be finalized by the end of ~~September~~November [TBD]

PILs Exemption

Overview:

- It is currently contemplated that the first financing entity to be established by OPG, in its capacity as Financial Services Manager, will be a trust (Trust).
- The Trust would be subject to tax under the *Income Tax Act* (Canada) and the Ontario *Taxation Act, 2007*.
- The beneficiary of the Trust will be a corporation (Subco) that will be directly or indirectly wholly-owned by OPG.
  - Subco, as a subsidiary of OPG, would be exempt from federal and provincial corporate taxes payable by private sector companies. Instead, Subco would be subject to tax under the payments in lieu of taxes (PILs) regime under the *Electricity Act, 1998 (EA),* and would pay PILs to the Ontario Electricity Financial Corporation (OEFC);
  - PILs are used by the OEFC to help pay down ~~its~~ debt and other liabilities – OEFC is the legal continuation of the former Ontario Hydro.
- In order to mitigate the cost to ratepayers, a recommendation will be made to the Minister of Finance ~~to~~ to make a regulation under the EA that would exempt Subco from PILs on income received by Subco as beneficiary of the Trust.
- Should OPG, as Financial Services Manager, establish other financing entities in the future for purposes of the OFHP, the Ministry of Finance will ~~also~~ consider making similar recommendations to the Minister of Finance.

Next Steps:

- Letter to OPG provide comfort that Subco will be exempt from PILs on income received as beneficiary of the Trust.
- The Ministry of Finance is working with OPG on a draft regulation, which is intended to be made by the Minister of Finance in the Fall of 2017.

From: Gavin He []
To: John Kim [John.Kim@ofina.on.ca]
Subject: RE: OFHP Business Issues
Date: Wednesday, November 08, 2017 15:20:51
Attachment 1: 2017 10 30 OFHP Business Issues v04.pptx

Hi John,

Please find attached the updated deck with comments from Carlos.

Regards,

Gavin He

From: Carlos Yep
Sent: Wednesday, November 08, 2017 2:15 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

Gavin,

re: slide #2, 4,5

-you may want to change the references of “Provincial Protection and Assurance Agreement” to the “Change of Law Protection Agreement”

re: slide#9

-is this correct: OPG and the Ministry of Energy have approved the Master Subscription Agreement

re:Slide#10

-need to add “and junior subordinated debt” after OPG intends to lend the equity injection from the Province to the Trust by way of subordinated debt “

-need to change by the end of “November” finalized by the end of September

regards

Carlos

From: Gavin He
Sent: Wednesday, November 08, 2017 1:23 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hi Carlos/James,

Just want to follow up with you on below email and see if you have any comments/edits to the deck? If so, could you please send us the edits by 3:00 p.m. today?

Thanks,

Gavin He

From: John Kim
Sent: Monday, October 30, 2017 11:48 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
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OFHP Business Issues

DRAFT – September 11, 2017

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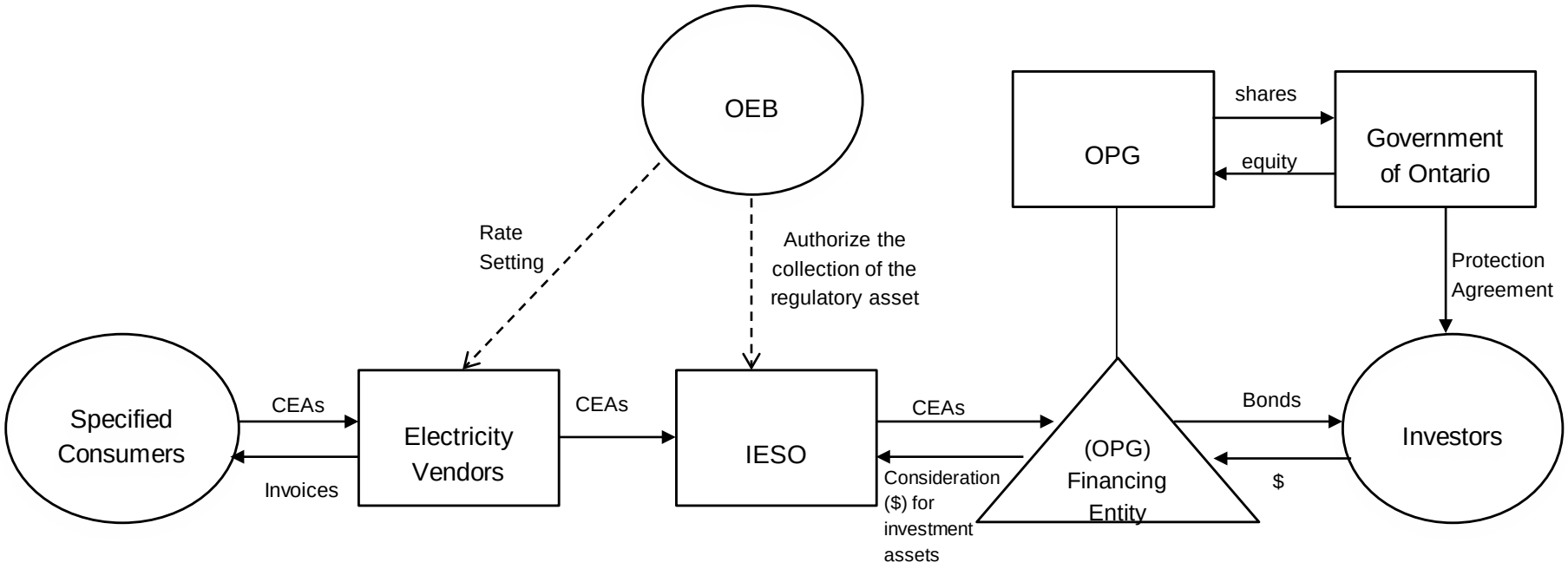
Global Adjustment Refinancing – Roles and Responsibilities



Note: CEAs are “clean energy adjustments”

~~Provincial Protection and Assurances Agreement~~Change of Law Protection Agreement

Overview:

- To purchase the regulatory asset from the IESO, the Financing Entity must borrow a portion of the funds from capital markets (planned to be 51%, with other financing to come from OPG and, indirectly, the Province)
  - OPG's financial advisors have indicated that without adequate protection against legislative, judicial and organizational risk, the debt would not be financeable or would result in higher financing costs, to be passed on to ratepayers
- Upon receiving TB/MBC approval, and as contemplated under the Act, the Ministers of Energy and Finance have the authority to negotiate and enter into a protection agreement that supports the Financing Entity and prospective debt holders such that the Province would take over the funding obligations of the Financing Entity, under certain circumstances, including
  - Actions of the Legislative Assembly that undermine the financing arrangement; i.e., repeal or amendment of the Ontario Fair Hydro Plan Act, 2017, or new legislation that adversely affect the Financing Entity
  - A court decision that declares the rights of the Financing Entity to recover amounts from ratepayers to be invalid or unenforceable
  - Changes to the organization, structure or operations of IESO or a change in the electricity market structure or operations that adversely affects the ability of the Financing Entity to recover amounts related to funding obligations.

~~Provincial Protection and Assurances Agreement~~Change of ~~Law Protection Agreement~~ (Con't)

- In the event the protection agreement is triggered, the Province will be required to pay the obligations of the Financing Entity including principal and interest payments on debt issued to date, any payments to derivatives counterparties and any outstanding payments to service providers
  - The Province could potentially service the debt and other obligations and could replace OPG as the financial services manager
- The protection agreement may need to be revised at a future date, or approval from the Province may be required, if the financing entity must access the U.S. market as investors in that market will likely require additional compensation if the assumption agreement is triggered
- The Province will take on a contingent liability, which will increase over the duration of the Fair Hydro Plan and peak at an estimated $20B of debt (final cost forecasts TBC), including principal and accumulated interest
- In the event the protection agreement is triggered, the Province's net debt will most likely increase by an amount equal to the contingent liability at that point in time
  - The Province's interest payments will also increase by the debt interest servicing of the debt payment obligations it has assumed under the protection agreement
  - IOD expense may increase between $0.8B and $1.0B per annum, assuming the protection agreement is triggered when debt is at its peak, and depending on the interest rate at which the Financing entity will be able to borrow at

Next Steps:

- Province to work with OPG and external legal counsel to finalise the Protection Agreement

Fair Allocation Amount

Overview:

- xx

Next Steps:

- Xx

CEFD Comment: Does the FAA include any interest on the deferred GA amount? Does the equity injection from the Province also covers those interest costs?

Management Fees Regulation

Overview:

- Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest.
- The Act enables OPG to achieve its objectives of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.
- The fee will have a fixed and variable component and be determined by formulas set out in a regulation, which as currently drafted includes:
    - **Base fee**: Monthly fee calculated as 7.5 basis points on monthly funding obligation. The base fee will be independently reviewed in 2018.
    - **Variable fee**: Annual fee of 5% of the difference difference between forecast and actual interest rates achieved for each of its funding tranches. The variable fee in any one year will be no more than 5 basis points of the net annual borrowing and can be no less than -5 basis of the net annual borrowing. If the variable fee is a negative amount, such amount will be deducted from the base fee in the following calendar year in twelve equal monthly payments
- The OEB will have a role in reviewing OPG's fees to ensure that the fees are consistent with prevailing market comparators

Next Steps:

- The Province is working with the OEB and OPG to develop a regulation setting out how the fees would be calculated including appropriate comparators for the OEBs review

Moratorium Period Interest and Fee Recovery

Overview:

- xx

Next Steps:

- Xx

OFA Comment: Is the recovery limited to IESO's interest costs on the credit line or does it extend to the interest costs of the financing entity over the four years in question?

Equity Injections

Overview:

- To purchase the regulatory asset from the IESO, an OPG financing entity would be established and borrow funds from the following:
  - Capital markets (51%)
  - Subordinated OPG debt, financed through equity injections from the Province (44%) and OPG, financing from capital markets (5%)
- OPG will require equity injections on an ongoing basis in order to provide the 44% share of financing for the financing entity to acquire the regulatory asset from IESO and keep its capital structure in line, and will require flexibility in order to issue shares to the Province as needed, under a share subscription agreement
- The Ministry of Energy will be responsible for seeking approval for the investment envelope each year and managing the share subscription arrangement with OPG
  - On a periodic basis, OPG will send a notice of share subscription to the Ministry of Energy, requesting a certain amount of equity based on the amount of the regulatory asset it plans to purchase in a fiscal year; the Ontario Financing Authority will flow the funds

Next Steps:

- OPG and the Ministry of Energy have approved the Master Subscription Agreement and will proceed to execute in the coming weeks
- The Ministry of Energy will work with the OFA to ensure a mechanism is in place to flow the funds within the required timeframes after the request is made by OPG

Subordinated Debt Agreement

Overview:

- OPG intends to lend the equity injection from the Province to the Trust by way of subordinated debt and junior subordinated debt
- OPG proposes that OPG, the Fair Hydro Trust and the OFA will enter into a subordinated debt loan agreement, which outlines the terms of the subordinated debt [TBD]
- OPG has proposed that interest rates on the subordinated debt be established as follows:
  - During the Trust short term financing period, when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt [TBD]
  - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. [TBD]

Next Steps:

- OPG to incorporate the Province's comments into the next draft of the Subordinated Debt Agreement, which is tracking to be finalized by the end of ~~September~~November [TBD]

PILs Exemption

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- The Trust would be subject to tax under the *Income Tax Act* (Canada) and the Ontario *Taxation Act, 2007*.
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  - Subco, as a subsidiary of OPG, would be exempt from federal and provincial corporate taxes payable by private sector companies. Instead, Subco would be subject to tax under the payments in lieu of taxes (PILs) regime under the *Electricity Act, 1998 (EA),* and would pay PILs to the Ontario Electricity Financial Corporation (OEFC);
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- In order to mitigate the cost to ratepayers, a recommendation will be made to the Minister of Finance ~~to~~ to make a regulation under the EA that would exempt Subco from PILs on income received by Subco as beneficiary of the Trust.
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Next Steps:

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- The Ministry of Finance is working with OPG on a draft regulation, which is intended to be made by the Minister of Finance in the Fall of 2017.

From: Ken Kandeepan []
To: John Kim [John.Kim@ofina.on.ca]; Carlos Yep [Carlos.Yep@ofina.on.ca]; James Devine [James.Devine@ofina.on.ca]
CC: Ronald Kwan [Ronald.Kwan@ofina.on.ca]; Mike Manning [Mike.Manning@ofina.on.ca]; Gavin He [Gavin.He@ofina.on.ca]
Subject: RE: OFHP Business Issues
Date: Wednesday, November 01, 2017 10:17:09

Thanks John, I don't have any major issues. I do note that the slide on the recovery of interest over the moratorium period remains blank, I understand a reg was crafted on this issue with IESO recovering these amounts from the Global Adjustment. Not sure whether the recovery is limited to IESO's interest costs on the credit line or extends to the interest costs of the financing entity over the four years in question.

Clarification from you or Energy will be much appreciated.

Slide 10: one small point it says the sub debt agreement includes the OFA as a party, my understanding is that the OFA will review the sub debt agreement and make sure we are comfortable with the terms, but will not be a signatory, you may want to communicate this to Energy.

Thanks

Ken k

From: John Kim
Sent: Monday, October 30, 2017 11:48 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: OFHP Business Issues

Pls. take a look and send any suggested edits/comments.

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, October 30, 2017 11:46 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Kuppuswami, Kritika (MOF) <Kritika.Kuppuswami@ontario.ca>
Subject: RE: OFHP Business Issues

Hi everyone,

This product was put on hold but we've now been asked to refresh it.

Could you please take a look and provide any comments midday tomorrow.

Hilary – I think you guys would lead slides 6/8 but please let me know if that's not the case.

Thanks in advance,

Kaitlin

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Sent: September 29, 2017 1:27 PM
To: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>
Cc: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
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I've attempted to fill out as much as possible (Hilary there's a couple placeholder slides where I had no content but I think those would be for ESP? Please correct me if I'm wrong).

Each of you are involved in various aspects of these issues so I'm hoping you can take a look to ensure we're accurately capturing each item.

I'm away next week but if you could provide your suggested edits to Keley by next Wednesday we would appreciate it. The briefing has not yet been set up so we will keep you posted if that timing needs to change.

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Subject:	FW: OFHP Business Issues
Date:	Monday, October 30, 2017 11:48:12 AM
Attachments:	2017 10 30 OFHP Business Issues v02.pptx

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OFHP Business Issues

DRAFT – September 11, 2017

CONFIDENTIAL & COMMERCIALLY SENSITIVE

Context: GA Financing

- The *Ontario Fair Hydro Act, 2017,* enables the IESO to establish a variance account to record the deferral amounts from the difference between collections from current ratepayers and payment obligations to generators and conservation, and to create a regulatory asset as the Act provides the IESO the right to recover the balance in the variance account
  - The IESO can then sell the regulatory asset – the right to recover those deferred amounts from specified consumers in the future
  - OPG, as the Financial Services Manager, is authorized to establish one or more financing entities that may incur funding obligations
  - A financing entity purchasing the regulatory asset would effectively finance the IESO's shortfall in current rates not received from ratepayers
- In order to support the establishment of a financing entity, facilitate ongoing funding requirements of the Global Adjustment and optimize ratepayer impacts, OPG and the Province are working on finalizing the details for a number of business issues, including
  - Provincial Protection and Assurances Agreement (PPAA)
  - Fair Allocation Amount (FAA)
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  - Equity Injections
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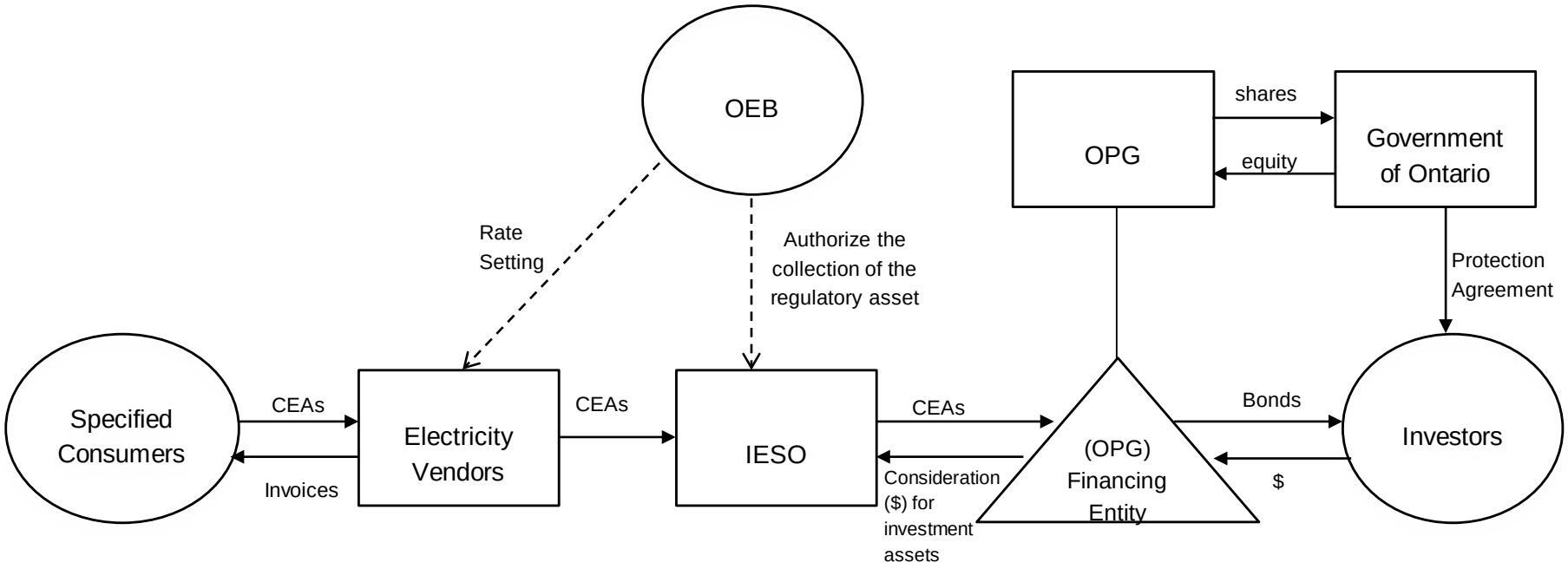
Global Adjustment Refinancing – Roles and Responsibilities



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Provincial Protection and Assurances Agreement (Con't)

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Fair Allocation Amount

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- xx

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- xx

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Moratorium Period Interest and Fee Recovery

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- xx

Next Steps:

- xx

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From:	John Kim
To:	Ken Kandeepan; Carlos Yep; James Devine; Mike Manning
Cc:	Ronald Kwan
Subject:	FW: OFHP Business Issues
Date:	Friday, September 29, 2017 2:10:08 PM
Attachments:	2017 09 29 OFHP Business Issues v01.pptx

Pls. take a look. Happy to consolidate comments. At a quick glance, there are sub debt slide and mgmt fee slide.

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
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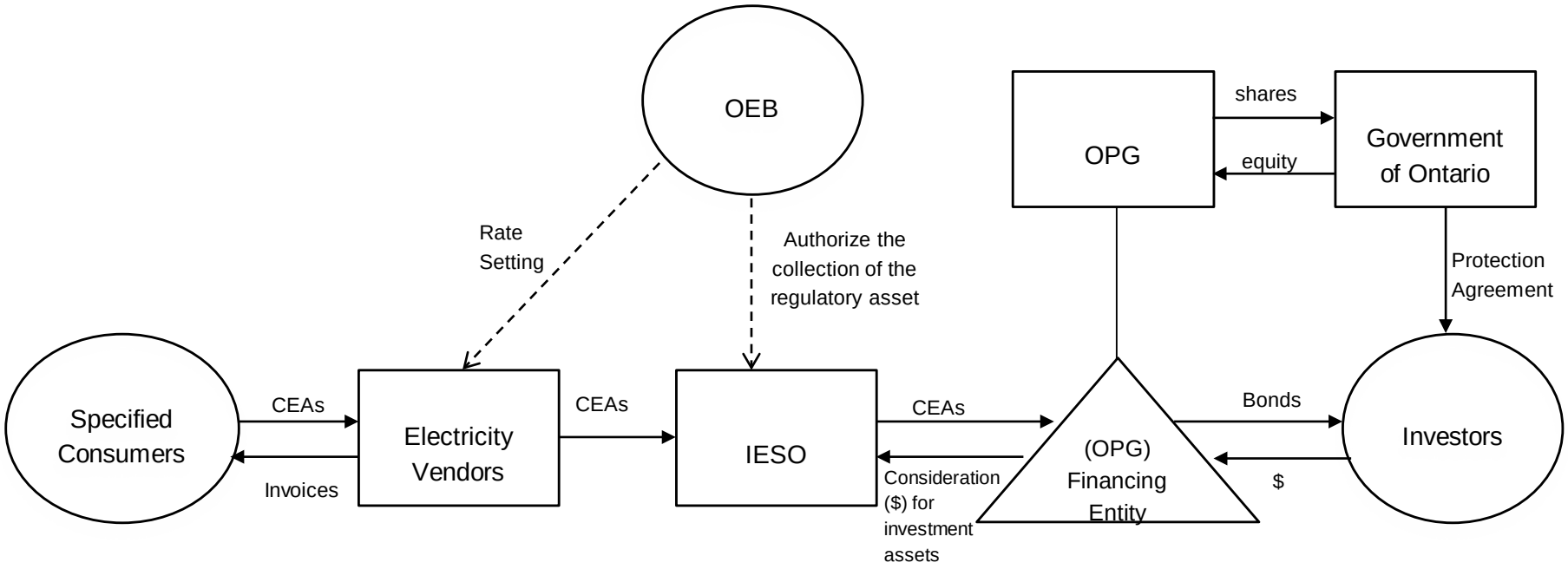

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Overview:

- Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest.
- The Act enables OPG to achieve its accounting objective of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.
- The fee will have a fixed and variable component and be determined by formulas set out in a regulation, which as currently drafted includes:
    - **Base fee**: Monthly fee calculated as 10 basis points on monthly funding obligation when the annual funding obligation is less than $10B, and 8 basis points on the monthly funding obligation when the annual funding obligation is greater than $10B.
    - **Variable fee**: Annual fee of 5% of the difference difference between forecast and actual interest rates achieved for each of its funding tranches
- The OEB will have a role in reviewing OPG's fees to ensure that the fees are consistent with prevailing market comparators

Next Steps:

- The Province is working with the OEB and OPG to develop a regulation setting out how the fees would be calculated including appropriate comparators for the OEBs review

Moratorium Period Interest and Fee Recovery

Overview:

- xx

Next Steps:

- xx

Equity Injections

Overview:

- To purchase the regulatory asset from the IESO, an OPG financing entity would be established and borrow funds from the following:
  - Capital markets (51%)
  - Subordinated OPG debt, financed through equity injections from the Province (44%) and OPG, financing from capital markets (5%)
- OPG will require equity injections on an ongoing basis in order to provide the 44% share of financing for the financing entity to acquire the regulatory asset from IESO and keep its capital structure in line, and will require flexibility in order to issue shares to the Province as needed, under a share subscription agreement
- The Ministry of Energy will be responsible for seeking approval for the investment envelope each year and managing the share subscription arrangement with OPG
  - On a periodic basis, OPG will send a notice of share subscription to the Ministry of Energy, requesting a certain amount of equity based on the amount of the regulatory asset it plans to purchase in a fiscal year; the Ontario Financing Authority will flow the funds

Next Steps:

- OPG and the Ministry of Energy have approved the Master Subscription Agreement and will proceed to execute in the coming weeks
- The Ministry of Energy will work with the OFA to ensure a mechanism is in place to flow the funds within the required timeframes after the request is made by OPG

Subordinated Debt Agreement

Overview:

- OPG intends to lend the equity injection from the Province to the Trust by way of subordinated debt
- OPG proposes that OPG, the Fair Hydro Trust and the OFA will enter into a subordinated debt loan agreement, which outlines the terms of the subordinated debt [TBD]
- OPG has proposed that interest rates on the subordinated debt be established as follows:
  - During the Trust short term financing period, when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt [TBD]
  - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. [TBD]

Next Steps:

- OPG to incorporate the Province's comments into the next draft of the Subordinated Debt Agreement, which is tracking to be finalized by the end of September [TBD]

PILs Exemption

Overview:

- It is currently contemplated that the first financing entity to be established by OPG, in its capacity as Financial Services Manager, will be a trust (Trust)
- The Trust would be subject to tax under the Income Tax Act (Canada) and the Ontario Taxation Act, 2007
- The beneficiary of the Trust will be a corporation (Subco) that will be directly or indirectly wholly-owned by OPG
  - Subco, given it is owned by OPG, would be exempt from federal and provincial corporate taxes and property taxes payable by private sector companies, and instead make payments in lieu of taxes (PILs) to the Ontario Electricity Financial Corporation (OEFC)
  - PILs are used by the OEFC to help pay down its debt and other liabilities – OEFC is the legal continuation of the former Ontario Hydro
- In order to mitigate the cost to ratepayers, the Ministry of Finance plans to bring forward a proposed Minister of Finance's regulation under the *Electricity Act* , 1998 that would exempt Subco from paying PILs on income received as beneficiary of the Trust
- The Ministry of Finance will also consider similar regulations in the future should OPG establish another financing entity in its role as the Financial Services Manager

Next Steps:

- Draft letter from the Minister of Finance to OPG is in development that will provide comfort that Subco will be exempt from PILs on income received as beneficiary of the Trust.
- The Ministry of Finance is working with OPG on a draft regulation, which will be brought forward in the Fall

From: John Kim
To: Ronald Kwan
Subject: FW: OFHP Business Issues
Date: Tuesday, September 19, 2017 8:21:58 AM

Hi Ron,

To TPD's question, I believe the answer is yes, the interest needs to be tax exempt too. I'm not sure how they would segregate one source of income vs. another.

John

From: Lewis, Robin (MOF) [mailto:Robin.Lewis@ontario.ca]
Sent: Tuesday, September 19, 2017 8:07 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>; Lloyd Winfield (MOF) <Lloyd.Winfield@ontario.ca>
Subject: RE: OFHP Business Issues

John,

Do you know if the interest on the money OPG intends to lend to the Fair Hydro Trust needs to be tax exempt too? We were told that incidental income may arise in the trust and would have to be payable to OPG (or an OPG sub) in order that the Fair Hydro Trust pays no tax. Otherwise the tax (or PILs) would have to be passed on to rate payers.

The Province appears to be buying shares of OPG to inject the capital. OPG then plans to lend the capital to the trust at market interest rates. Seems to me that OPG will profit from this funding and ought to be taxable on interest received.

Please let me know what you think.

Regards,

Rob

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 19, 2017 7:55 AM
To: Montgomery, Kaitlin (MOF); Katona, Keley (MOF); Winfield, Lloyd (MOF)
Cc: McKinlay, Tom (ENERGY); Lewis, Robin (MOF); Klassen, Daniela (MOF); Kandeepan, Ken (OFA); Yep, Carlos (OFA)
Subject: RE: OFHP Business Issues

Hi Kaitlin,

Ron had some additional edits on the last slide. Also, the deleting of the wording on s.11.4 certificate, is that Energy's changes?

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, September 18, 2017 12:47 PM
To: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Lloyd Winfield (MOF) <Lloyd.Winfield@ontario.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP Business Issues

Revised version attached.

Please let us know if you have any further comments or questions on this draft.

Thanks,
Kaitlin

From: Katona, Keley (MOF)
Sent: September 18, 2017 10:25 AM
To: Winfield, Lloyd (MOF); Kim, John (OFA)
Cc: McKinlay, Tom (ENERGY); Lewis, Robin (MOF); Klassen, Daniela (MOF); Kandeepan, Ken (OFA); Yep, Carlos (OFA); Montgomery, Kaitlin (MOF)
Subject: RE: OFHP Business Issues

Sure, we can circulate a new draft today.

From: Winfield, Lloyd (MOF)
Sent: September 18, 2017 9:58 AM
To: Katona, Keley (MOF) <Keley.Katona@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>; Klassen, Daniela (MOF) <Daniela.Klassen@ontario.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hello Keley.

It seems that our and OFA's suggested edits have crossed paths. If possible, we would appreciate reviewing the taxation aspect again before the deck is finalized.

Regards,
Lloyd
Lloyd.Winfield@ontario.ca | 416-212-3964

Legislative Design Specialist | Corporate & Commodity Tax Branch | Tax Policy Division

---

From: Lewis, Robin (MOF)
Sent: September 18, 2017 8:07 AM
To: Klassen, Daniela (MOF); Winfield, Lloyd (MOF)
Subject: FW: OFHP Business Issues

Please review the ofa's comments ASAP, then come and discuss.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 15, 2017 4:45 PM
To: Katona, Keley (MOF); Winfield, Lloyd (MOF)
Cc: McKinlay, Tom (ENERGY); Lewis, Robin (MOF); Klassen, Daniela (MOF); Kandeepan, Ken (OFA); Yep, Carlos (OFA)
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Hi Keley,

Attached is comments from OFA. My CMD colleagues indicate that much of slide 5 on Subordinate Debt Agreement is work in progress and TBD. CMD will be meeting with OPG next week to discuss these items.

Thanks,

John

From: Katona, Keley (MOF) [mailto:Keley.Katona@ontario.ca]
Sent: Friday, September 15, 2017 3:39 PM
To: Lloyd Winfield (MOF) <Lloyd.Winfield@ontario.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OFHP Business Issues

Thanks

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Sent: September 15, 2017 3:38 PM
To: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>; Klassen, Daniela (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OFHP Business Issues

Keley.

Rob asked that I forward this slightly amended slide deck (attached) and these general comments to

you. Our amendments have been keyed directly into this copy in red font (page 3). One edit adds words. One edit replaces words.

Other comments.

1. A Trust is mentioned as part of the financing entity structure (page 3, top). Then a specific trust is named (page 5, the Fair Hydro Trust) but it is not explained whether this named trust is, or isn't, the Trust that is part of the financing entity structure.
2. The term financing entity is used eleven times but it seems that there are different meanings and different contexts (i.e., capitalized/not capitalized, specific entity/generic entity). This is confusing. In one instance perhaps the term "financial services manager" is meant (page 3, just before the heading 'Next Steps.')
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Subject: FW: OFHP Business Issues

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Sent: September 15, 2017 11:54 AM
To: McKinlay, Tom (ENERGY); Kim, John (OFA); Lewis, Robin (MOF)
Cc: Montgomery, Kaitlin (MOF)
Subject: OFHP Business Issues

Hi,

ENERGY's MO has requested a few high-level slides on some specific business issues that are outstanding related to the OFHP. We're hoping you can take a quick look at the attached and let us know if you have any comments by end of day today.

Thanks,
Keley

Keley Katona
Director | Investment and Governance Branch
Government Business Enterprise Division | Ministry of Finance
Work: 416-325-1539 | Cell: 416-727-5696

E-mail: keley.katona@ontario.ca

7th Floor, 375 University Ave, Toronto, ON

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From: John Kim
To: Ken Kandeepan; Carlos Yep
Cc: Ronald Kwan
Subject: FW: OFHP Business Issues
Date: Monday, September 18, 2017 1:01:19 PM
Attachments: 2017 09 18 OFHP Outstanding Business Issues v03 redline.pptx

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Hi Ken, Carlos,

Would you have any further comments? I believe they consolidated comments from us and FTD.

On slide 4, IGB deleted the part about the s.11.4 certificate. We may need to revisit the SLA in the near future.

Thanks,

John

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Sent: Monday, September 18, 2017 12:47 PM
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Subject: FW: OFHP Business Issues

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Sent: September 15, 2017 11:54 AM
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Cc: Montgomery, Kaitlin (MOF)

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Keley Katona
Director | Investment and Governance Branch
Government Business Enterprise Division | Ministry of Finance
Work: 416-325-1539 | Cell: 416-727-5696
E-mail: keley.katona@ontario.ca
7th Floor, 375 University Ave, Toronto, ON

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OFHP Business Issues

DRAFT – September 11, 2017

CONFIDENTIAL & COMMERCIALLY SENSITIVE

Context: GA Financing

- The *Ontario Fair Hydro Act, 2017,* enables the IESO to establish a variance account to record the deferral amounts from the difference between collections from current ratepayers and payment obligations to generators and conservation, and to create a regulatory asset as the Act provides the IESO the right to recover the balance in the variance account
  - The IESO can then sell the regulatory asset – the right to recover those deferred amounts from specified consumers in the future
  - OPG, as the Financial Services Manager, is authorized to establish one or more financing entities that may incur funding obligations
  - The financing entity will purchase the regulatory asset, effectively financing the IESO's shortfall in current rates not received from ratepayers
- In order to support the establishment of a financing entity, facilitate ongoing funding requirements of the Global Adjustment and optimize ratepayer impacts, OPG and the Province are working on finalizing the details for a number of business issues, including:
  - A regulation to minimize Payments in Lieu (PILs) of taxes by the financing entity
  - An equity injection by the Province to OPG that OPG would use to lend to the financing entity
  - A subordinated debt agreement related to OPG lending to the financing entity
- The above are in addition to a "Change of Law Protection Agreement" under which the Province would provide a guarantee to support the financing entities' debt under certain limited events such as a change in law or adverse court decision that would materially adversely affect the financing entities' ability to service debt.

PILs Exemption

Overview:

- It is currently contemplated that the first financing entity to be established by OPG, in its capacity as Financial Services Manager, will be a trust (Trust)
- The Trust would be subject to tax under the Income Tax Act (Canada) and the Ontario Taxation Act, 2007
- The beneficiary of the Trust will be a corporation (Subco) that will be directly or indirectly wholly-owned by OPG
  - Subco, given it is owned by OPG, would be exempt from federal and provincial corporate taxes and property taxes payable by private sector companies, and instead make payments in lieu of taxes (PILs) to the Ontario Electricity Financial Corporation (OEFC)
  - PILs are used by the OEFC to help pay down its debt and other liabilities – OEFC is the legal continuation ~~the stranded debt~~ of the former Ontario Hydro
- In order to mitigate the cost to ratepayers, the Ministry of Finance ~~Province~~ plans to bring forward a proposed Minister of Finance's regulation under the *Electricity Act* , 1998 that would exempt Subco from paying PILs on income received as beneficiary of the Trust
- The Ministry of Finance ~~Province~~ will also consider similar regulations in the future should OPG establish another financing entity in its role as the Financial Services Manager

Next Steps:

- Draft letter from the Minister of Finance to OPG is in development that will provide comfort that Subco will be exempt from PILs on income received as beneficiary of the Trust.
- The Ministry of Finance is working with OPG on a draft regulation, which will be brought forward in the Fall

Equity Injections

Overview:

- To purchase the regulatory asset from the IESO, a financing entity must borrow funds from the following:
  - Capital markets (51%)
  - Subordinated OPG debt, financed through equity injections from the Province (44%) and OPG, financing from capital markets (5%)
- OPG will require equity injections on an ongoing basis in order to provide financing for the financing entity to acquire the regulatory asset from IESO and keep its capital structure in line, and will require flexibility in order to issue shares to the Province as needed, under a share subscription agreement
- The Ministry of Energy will be responsible for seeking approval ~~through the PRRT process~~ for the investment envelope each year and managing the share subscription arrangement with OPG
  - On a monthly/quarterly basis, OPG will send a notice of share subscription to the ~~Province~~ Ministry of Energy, requesting a certain amount of equity based on the amount of the regulatory asset it plans to purchase in a fiscal year; the Ontario Financing Authority will flow the funds ~~following receipt of a certificate from the Ministry of Energy, as required under s.11.4 of the Financial Administration Act~~

Next Steps:

- OPG is seeking its Board approval on September 29th of any required steps for the equity subscription
- The Province is working with appropriate parties internally to ensure a mechanism is in place to provide the equity injection to OPG

Subordinated Debt Agreement

Overview:

- OPG intends to lend the equity injection from the Province to the Trust by way of subordinated debt
- OPG, the Fair Hydro Trust and the OFA will enter into a subordinated debt loan agreement, which outlines the terms of the subordinated debt [TBD]
- Interest rates on the subordinated debt will be established as follows:
  - During the Trust short term financing period, when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt [TBD]
  - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. [TBD]

Next Steps:

- OPG to incorporate the Province's comments into the next draft of the Subordinated Debt Agreement, which is tracking to be finalized by the end of September [TBD]

From:	Ronald Kwan
To:	Gadi Mayman
Subject:	FW: OFHP Business Issues
Date:	Wednesday, December 06, 2017 5:53:18 PM

Hi Gadi,

FYI, as I had noticed that the Business Issues matrix still had the PILs reg listed as needing to go to LRC, which I had not thought was the case, and as confirmed (again) by TPD a couple weeks ago.

Ron

From: Ronald Kwan
Sent: Thursday, November 23, 2017 2:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hi,

It does, and was my understanding too, so was surprised about the LRC discussion this morning. Who in Steen's group is Tax working with?

Ron

From: John Kim
Sent: November-23-17 14:00
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: OFHP Business Issues

Fyi, does this answer your question?

From: Lewis, Robin (MOF) [mailto:Robin.Lewis@ontario.ca]
Sent: Thursday, November 23, 2017 1:59 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

John,

Sorry, this is a minister's reg. Not LRC.

Our issues are with the drafting by legislative counsel - the house's lawyers.

Regards,

Rob

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 23, 2017 1:56 PM
To: Lewis, Robin (MOF)
Subject: RE: OFHP Business Issues

Just saw an email about this….so this will be done through LRC and not Minister's reg? Could we get a draft submission?

John

From: John Kim
Sent: Thursday, November 23, 2017 1:46 PM
To: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: FW: OFHP Business Issues

Hi Rob,

Hope all is well.

Would you let me know what the status is on the PILs regulation as was discussed in one of these slides?

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, October 30, 2017 11:46 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Kuppuswami, Kritika (MOF) <Kritika.Kuppuswami@ontario.ca>
Subject: RE: OFHP Business Issues

Hi everyone,

This product was put on hold but we've now been asked to refresh it.

Could you please take a look and provide any comments midday tomorrow.

Hilary – I think you guys would lead slides 6/8 but please let me know if that's not the case.

Thanks in advance,

Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: September 29, 2017 1:27 PM
To: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>
Cc: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: OFHP Business Issues

Hi everyone,

We're pulling together a product summarizing all the outstanding business issues including status/next steps with respect to the Fair Hydro Plan for the Minister of Energy

I've attempted to fill out as much as possible (Hilary there's a couple placeholder slides where I had no content but I think those would be for ESP? Please correct me if I'm wrong).

Each of you are involved in various aspects of these issues so I'm hoping you can take a look to ensure we're accurately capturing each item.

I'm away next week but if you could provide your suggested edits to Keley by next Wednesday we would appreciate it. The briefing has not yet been set up so we will keep you posted if that timing needs to change.

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Emily Kerr
To: Ronald Kwan
Cc: Gavin He; John Kim
Subject: FW: OFHP Update
Date: Thursday, April 06, 2017 5:51:40 PM

Hi Ron,

Here are some comments/highlights from the social programs sections of the material. Also, a comment on non-bypassability.

- In the document "Policy and Legal Foundations for the Proposed Ontario Fair Hydro Plan Act", non-bypassability does have a question mark. So, I suppose it has not been determined whether consumers exiting the system would be required to make a payment. Although, it is still under consideration.

RRRP

- Requires legislation. TBD if regulations are also required.
- Since the existing RRRP framework (ratepayer funded) would remain in place for Algoma and remotes, the implementation document notes that separation of the RRRP and broader distribution rate protection into separate programs.
- Timing / next steps:
  - A report back to TB/MBC on May 1, 2017 is TBD.
  - Implementation is planned for fall 2017 (per Cabinet minute).

OESP

- Requires legislation and regulation changes.
- Energy is continuing to work with MOF, OEB, CRA on OESP wet signature. I am not familiar with the term "wet signature" but I assume this point has to do with confirming that any increased OESP benefits would not be taxable.
- OEB decision this week expected on removing OESP from bills as of May 1. Energy would like to use OESP variance (approx. $100 million) to reduce current OESP charge to zero and continue funding existing program until government funding is established.
- It is noted that Energy needs to work with IESO/OEB/MOF on technical and governance structures needed to flow government funds to OESP.
- Timing / next steps:
  - A report back to TB/MBC on May 1, 2017 is TBD.
  - LRC on April 10 (document says 2016, but I assume they mean 2017).
  - Program in place in 2017 (per Cabinet minute).

FN On-Reserve Delivery Credit

- Requires legislation. TBD if regulations are also required.
- It is noted that Energy needs to work with IESO/OEB/MOF on technical and governance structures needed to flow government funds to the program.
- Timing / next steps:
  - Report back to TB/MBC by spring 2017 with final program details.

- Program in place in 2017 (per Cabinet minute).

Affordability Fund

- Does not require legislative changes.
- Timing / next steps:
  - On March 23/24 a declaration of trust and transfer payment agreement were executed.
  - On March 30 funds were transferred to Computershare.
  - An Advisory Committee to recommend Board of Trustees by May 31, 2017. Computershare appoints full Board of Trustees.
  - June 2017: Trustees engage with IESO, OEB, others to define funding criteria and processes. Report back to TB/MBC with final program details.
  - Summer 2017: LDCs apply to Trust for funds.
  - Late 2017/early 2018: Energy may apply for additional funds through 18-19 PRRT based on performance and need. Energy was initially allocated $100 million for the fund. The initial request had been for $200 million.

From: Ronald Kwan
Sent: Thursday, April 06, 2017 3:16 PM
To: John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: OFHP Update

Hi,

Please review and provide comments, highlights.

Emily, note the "Non-bypassability (exiting the electricity system / going off grid)" comment.

BTW, I seem to have not yet signed the letter back to Northland. Is that right? Would you get me the signing package on that.

Thanks,
Ron

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: April 6, 2017 10:35 AM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: OFHP Update

Hi Dave,

Please see the following update (and attached materials) from this morning's rate mitigation meeting:

GA Financing

Legal Update
Fair allocation plan (think of this as the line showing savings and costs to ratepayers associated with this program over time)
Province has set plan for deferrals for the first 4 years (25% and annual increases tied to inflation)
Need process (within pre-set parameters and input from OPG) to determine path for deferrals and recovery for subsequent years (5-30)
Originally viewed Province as taking a role in setting out this path
Feedback from market that Province should not be involved
Need to determine appropriate lead entity (e.g. OPG or IESO)
Need to be linked to life of underlying assets in order to mitigate constitutional risk
Consider 1-2 year refresh on the plan
Structure is still in flux
Treasury Plan
OPG Trust sets this plan
Limited oversight in order to ensure OPG Trust can raise $ in the market at a reasonable cost
Must fit within the limits set by fair allocation plan (but can vary under the cost curve depending on market and interest rate realities)
Once specific bonds issued, fair allocation plan cannot override
Role for OEB
Needs to be extremely limited in order to meet market requirements
However need to project consumer confidence
Options are currently under reivew
Collectability is a key point that requires a number of provisions in legislation including
Irrevocable charges
Role of LDCs, IESO in collections
Non-bypassability (exiting the electricity system / going off grid)
Provincial back-stops
Springing guarantees that arise in the event Province takes certain actions that erode value to bondholders
Need to be limited and contingent in order to meet accounting tests
Dealers considering whether this needs to be in legislation or in a side agreement
Want to make sure that it is narrowly focused in terms of triggering events to cover only material impacts and avoid unintended consequences (investors taking legal action)

- Over time as relevant policy changes are implemented, trustee may look to a 3rd party (e.g. opinion, ratings confirmation) to ensure that value of debt is not degraded

If Province takes on any of the debt, need to determine what can happen from an accounting perspective. Situations to review:

Temporary freeze on borrowing markets
Permanent impairment of OPG's ability to purchase a portion of the asset from IESO (in this case may need a guarantee from the Province)
Timeline for legislation
Pens down April 21
May 1st TB, LRC, Cab
May 4th introduction
Currently working from a Blakes document as a straw-person that would act as instructions to legislative counsel
Driving to timeline, very aggressive

OPG
Special committee of the board met last week
RBC, CIBC, Goldman included
Discussed this is much larger than past models
Imperative that this structure follows past transaction models
Also reviewed stress scenarios (interest rates are most impactful)
Shareholder letter
Providing to committee tomorrow and will share with government thereafter
Reviewing sub-debt attributes
Certain characteristics needed in order to support senior debt financing (most notably will take on longevity risk)
Characteristics of the sub-debt would drive pricing (not tied to Province's cost of funds; likely to be higher interest rate)
At minimum, want to ensure that OPG's earnings are higher to offset incremental IOD to the Province

OEB
Comfort letter from the Province is nearly ready, hopefully tomorrow
Balancing amount of information needed

IESO
Want to narrow issues to what is needed in legislation
Regulatory asset
Speaking with KPMG today
Meeting with ENE today to discuss business issues

Affordability Fund
Advisory committee established to recommend final trustees
Will start mid-month deliberations
By May 31
3 from LDCs and 2 from social services
Hydro One is providing logistical support

Social programs (OESP, FN Rate, RRRP)
Same timelines for approvals as GA

Lots of details to sort through in regulation once legislation in place
Give comfort to LDCs, IESO, Board in terms of what will be included in regulations in order for them to begin implementation
Appearance on Energy Financials:
Will have flexibility to flow funds between programs while ensuring transparncy (4 line items but not executive control on each)
ENE could move $ between programs without TBS approval
OESP: May 1 implementation of enhancements, OEB using up existing funds so no immediate draw on fiscal plan, working with social program ministries to assist with implementation, working with MoF / CRA to remove wet signature requirement
RRRP: plan to have in place by July 1 for 8 utilities; retro-active start as safety valve if needed for utilities with more limited capacity to move quickly
FN Rate: working to set up a meeting with COO to discuss options (for next week), Province does not want to be involved in choosing who is FN therefore plan to determine eligibility solely on the basis of geography

ICI
Expanded to include greenhouses
Need to meet 500kw threshold
Were already eligible at 1MW; therefore, not many that aren't already been captured
Seeking LRC regulatory approval April 10th
Working with CME, OCC on outreach campaigns on benefits of ICI and other conservation initiatives

Bill Presentment
Will not attempt to change the bill for July 1
- If try to be more aggressive on changes to the bill may jeopardize implementation

Want a larger re-work, look at all the constraints and regulations
- For example, reconsider changing name of "delivery"
- Timing: fall for re-design

In the interim, want an insert that shows %

AG
Walk through with ENE / MoF staff on April 19th
TBS will share technical materials in advance

FAO
Submitted materials last week
Will circle back to determine status

Thanks,
Scott

Scott Nelms
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7th Floor | 375 University ave. | Toronto, ON
w: (416) 212-6469 | c: (647) 330-2681

scott.nelms@ontario.ca

From:	Gavin He
To:	John Kim; Emily Kerr
Cc:	Ronald Kwan
Subject:	FW: OFHP Update
Date:	Thursday, April 06, 2017 7:17:31 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_Mar 6.docx Consolidated - OFHP Matrix - Week of April 3.docx FHP Policy Foundations 04 04 2017 v.3.docx

Hi John/Emily,

Please find attached the updated OFHP materials for your review.

Regards,
Gavin He

From: Gadi Mayman
Sent: Thursday, April 06, 2017 6:51 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; 'Gavin.He@ofina.on.ca'
Subject: Fw: OFHP Update

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, April 6, 2017 10:35 AM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: OFHP Update

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    - RBC, CIBC, Goldman included

    - Discussed this is much larger than past models
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FAO

- Submitted materials last week
- Will circle back to determine status

Thanks,
Scott

Scott Nelms
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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 6, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

3) Bill Presentment (SNAP)

4) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 3, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation • Defining mitigation and recovery mechanism; and • Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg. 95/05) • Shareholder Resolution (work with OPG to determine form) • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market	• IESO Board meeting on April 11, 2017 (TBD) – ESP to present on OFHP • AG briefing on April 19, 2017 (TBD) • Provide comfort level to allow OEB to include in May 2017 RPP • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes will continue to work through legislative drafting issues • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature. • Legislative walk-through and working group meetings Monday and Tuesday • ENERGY / Blakes / IESO / OEB / OPG to meet on Tuesday to work through issues related to legislation • LSB / Blakes to brief OPCD on legislation • KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions • Blakes / OPG to work through financing issues related to 10% cap • Blakes / LSB to work with MAG on a second constitutional law	

Item	Key Deliverables / Considerations	Timing / Next Steps
	opinion from Peter Hogg • TD being engaged through OFA to provide financial advice • ESP to make presentation on GA financing at upcoming IESO Board meeting <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd and March 24th • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 1, 2017 (TBD) • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP/LSB working on LRC package for OESP enhancements • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • Board decision this week on removing OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 1, 2017 (TBD) • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. <u>Considerations</u> • Legislative changes not required.	**April 7, 2017:** • Briefing for Advisory Committee members **April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) • ESP to consider implications of dropping below 500kw threshold due to investments in conservation <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • Ministry preparing responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion on April 19, 2017 (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment	• Initial discussion on March 31, 2017

Policy and Legal Foundations for the Proposed Ontario Fair Hydro Plan Act
April 4, 2017

Creating the Regulatory Framework

- Principles will link the benefit of the "Green Generation Initiative" with the regulatory cost that future rate payers will pay
- Need to name and articulate "Green Generation Initiative"

Fair Allocation Plan

- Policy direction around intergenerational funding will be established by the Minister of Energy
- The Fair Allocation Plan has been determined for the 1st four years, as set out in the March 2nd announcement
- Should there be a process around the Fair Allocation Plan [or as necessary]?
- [Role for the OEB?]

Treasury Plan

- Created by OPG to implement the Fair Allocation Plan
- Will pass through actual costs and expenses of funding obligations incurred
- 3 components:
    - Treasury Plan must be compliant with principles and parameters of the Fair Allocation Plan;
    - The Plan must match maturities to allocations under the Fair Allocation Plan, as well as achieve funding efficiencies and cost management articulated in the Fair Allocation Plan; and
    - Implementation
- Should [Minister?] [OEB?] review [and approve?] the Treasury Plan? At what point in process?

Establishment of the Regulatory Asset

- Right to recover from rate payers, through collection by LDCs and IESO, the regulatory charge, late fees, interest established by legislation
- IESO may dispose of (by assignment, transfer, sale, etc.) its right, title and interest in the Regulatory Asset
- Legislation will create property rights and allow for security interests in the Regulatory Asset
- [Role of the OEB in establishing the Regulatory Asset?]
- Role of OPG in acquiring the asset?

Ensuring Collectability

- Clearly defined class of rate payers that receive and pay for the benefit
- Charges are irrevocable
- LDCs have duty to invoice rate payers for the charge
- IESO and LDCs have duty to collect charges as agent and pay remittances to IESO
- IESO has duty to pay remittances to the Regulatory Asset Owner
- Non-by-passability – subject rate payers who opt to go off grid to a penalty (prepayment)?
- True up mechanism to reconcile collections with incurrences
- Province shall not take steps to reduce, alter, impair or terminate the Regulatory Asset or collection

OEB Role

- [Inspect books and records?]

DRAFT

- [Approve administrative costs?]
- [Prudence review of financing costs?]
- [Consequences of OEB review?]
    - Ability to review
    - Ability to review and make recommendations (non-binding)
    - Review and approve or refer back for reconsideration (binding)

Provincial Guarantee

- Scope / Triggers / Consequences / Form

DRAFT

From:	Bruno Amara
To:	Ronald Kwan
Cc:	John Kim; Gavin He
Subject:	FW: Part 2 OFHP Regs - Draft Sub and RAN
Date:	Thursday, June 29, 2017 8:27:44 AM
Attachments:	3 RAN OFHP Regulations Part 2 v5 Clean FINAL.doc

Hi Ron

The minute note remained in the final as did our other indemnity edits.

Bruno

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Thursday, June 29, 2017 8:22 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; Chris Skubel (MGS) <Chris.Skubel@ontario.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN

Final attached. Recommended minute not changed by TB/MBC or Cabinet.

From: Bruno Amara [mailto:Bruno.Amara@ofina.on.ca]
Sent: June 28, 2017 11:39 PM
To: Strang, James (TBS); Skubel, Chris (TBS)
Cc: He, Gavin (OFA)
Subject: FW: Part 2 OFHP Regs - Draft Sub and RAN

Hi James/Chris

I did have one follow-up. Did the final minute still include the following note (from proposed minute on page 9 of attached draft RAN)?

"Note the Ministry is working with central agencies on the credit facility for the Independent Electricity System Operator (IESO) and on a request for indemnities for Ontario Power Generation and IESO."

We're briefing Minister at 10am on Indemnity Agreement among other things and just want to confirm that work on this agreement was noted in the minutes.

Thanks
Bruno

From: Gavin He
Sent: Tuesday, June 27, 2017 11:55 AM
To: James Strang (MOF) <James.Strang@ontario.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN

Hi James,

Please find attached the edits from CEFD on the latest version of the RAN note.

Regards,
Gavin He

From: Gavin He
Sent: Monday, June 26, 2017 11:08 AM
To: James Strang (MOF) <James.Strang@ontario.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN

Hi James,

Please find attached the edits from CEFD. I will keep you updated in case we have any additional edits.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Saturday, June 24, 2017 5:46 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Part 2 OFHP Regs - Draft Sub and RAN

Begin forwarded message:

> **From:** "Strang, James (TBS)" <James.Strang@ontario.ca>
> **To:** "Afshin Malekzadeh (MOHLTC)" <Afshin.Malekzadeh@ontario.ca>
> **Cc:** "Chris Skubel (MGS)" <Chris.Skubel@ontario.ca>, "Nina Arbabzadeh (EDU)" <Nina.Arbabzadeh@ontario.ca>, "Patrick Laughton (MOF)" <Patrick.Laughton@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Karen Hughes (MGS)" <Karen.Hughes@ontario.ca>, "Nadine Petsche (MOF)" <Nadine.Petsche@ontario.ca>, "Helen Graham (MOF)" <Helen.Graham@ontario.ca>, "Hosick, Sarah (TBS)" <Sarah.Hosick@ontario.ca>, "Paul Kaufman (MOHLTC)" <Paul.Kaufman@ontario.ca>, "Nick Smook (MOF)" <Nick.Smook@ontario.ca>, "Didem Proulx (MTCU)" <Didem.Proulx@ontario.ca>, "Ronald Kwan"

<Ronald.Kwan@ofina.on.ca>, "John Kim" <John.Kim@ofina.on.ca>
Subject: Part 2 OFHP Regs - Draft Sub and RAN

Hi,

Attached is Energy's Draft Submission received (please keep confidential as not approved by Energy). The second file is a draft assessment note for review and comment. After consolidating feedback from central agencies, I'm intending to share with Energy later on Monday. The item is at Treasury Board Tuesday in the early afternoon.

James

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TAB 9

TREASURY BOARD / MANAGEMENT BOARD OF CABINET

REQUEST ASSESSMENT NOTE

Ministry:	Energy	
Meeting Date:	June 27, 2017	
Agenda Class:	Discussion	
Last reviewed by: TB/MBC – June 13, 2017		**Tracking to: Fast Track** LRC/Cabinet – June 27, 2017

SUBMISSION TITLE:	Report back on Ontario Fair Hydro Plan – Regulations Part 2 of 2

I. DECISION BEFORE THE BOARD

Receive a report on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding Cabinet for approval

II. RECOMMENDATIONS:

• Receive a report on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval including: o Global Adjustment Refinancing; o Ontario Electricity Support Program (OESP) o First Nations Delivery Credit (Correction only to Reg from June 13th).	*Receive*
Note key aspects and program parameters of the proposed regulations	*Note*
Recommend the proposed regulations proceed to Cabinet for approval	*Recommend*
• Direct the Ministry to report back to TB/MBC on: o Details of its overall strategy to substantially increase OESP enrolment (note: includes increasing Social Assistance clients enrolled in OESP).	*Direct*

III. FINANCIAL SUMMARY

$ Millions	**2017-18**	**2018-19**	**2019-20**
Initiative cost requested	0.0	0.0	0.0
Initiative cost recommended	0.0	0.0	0.0
Recommended program base: Global Adjustment Refinancing*	0.0	0.0	0.0
Electricity social programs – OESP ^	140.0	261.0	325.0
Offset Recommended	0.0	0.0	0.0
Total Potential Fiscal Impact	0.0	0.0	0.0

*As part of Global Adjustment Refinancing, an Operating Asset for $1.1B for OPG Share Purchase was included as part of 2017 Budget.

^Multi-year appropriation approved as part of the 2017 Budget.

IV. KEY COMMENTS AND CONSIDERATIONS

In March 2017, the Ministry received Treasury Board/Management Board of Cabinet (TB/MBC) approval for electricity price mitigation measures that support a 25% electricity bill reduction on average (including the 8% Ontario Rebate For Electricity Consumers announced in 2016). The Ontario Fair Hydro Plan (OFHP) was announced on March 2, 2017.The plan includes refinancing a portion of the Global

Adjustment (GA) and helping vulnerable electricity consumers ("social programs") amongst other initiatives for residential consumers (see Appendix C). The Ministry was directed to report back to TB/MBC on a number of items including the proposed legislation required to enact the initiatives under OFHP (see Appendix D).

Report backs to date include:

- May 9th 2017, the Ministry provided an implementation update on the OFHP and the enabling legislation. TB/MBC recommended the proposed legislation proceed to Cabinet for approval and Ontario's *Fair Hydro Act, 2017* ("the Act") received Royal Assent on June 1, 2017. The Ministry was directed to report back to TB/MBC on a number of items including the proposed regulations required to support the implementation of the OFHP (see Appendix E).

- June 13, 2017, the Ministry provided the first of two updates on next steps in implementation of the OFHP, specifically providing the proposed regulations that would establish and amend the necessary regulations under the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998*, *Ontario Rebate for Electricity Consumers Act, 2016*, and the *Fair Hydro Plan Act, 2017*. (See Appendix F)

Proposed Regulations

The current submission before the Board is the second bundle of proposed regulations supporting implementation of the OFHP and would establish and amend regulations under the *Ontario Energy Board Act, 1998 and the Ontario Fair Hydro Plan Act, 2017 (OFHPA)*, related to the Ontario Electricity Support Program (OESP), and the Global Adjustment (GA) Refinancing.

Implementation of GA Refinancing

On March 2, 2017, as part of OFHP, the government announced that a portion of the GA would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

As Part 2 of the regulations report back (Part 1 was before the Board June 13, 2017), the Ministry is proposing a new General Regulation to be made under the OFHPA that would, if approved, support the implementation of the refinancing of the GA by ensuring that the mechanisms for refinancing of GA as set out under the *OFHPA* are in place in time for the first debt offering in fall 2017:

- Roles and responsibilities of the Financial Services Manager (FSM) (i.e., Ontario Power Generation), Ontario Energy Board (OEB), and Independent Electricity System Operator (IESO) in relation to the refinancing of GA.
- Require that the clean energy adjustment be a specific line item on bills and that Local Distribution Companies (LDCs) keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM).
- Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account.
- Provide further criteria related to the development and implementation of the financing plan by the FSM.
- Provide for further detail related to the calculation of the fair allocation amount by the Minister of Energy (i.e., electricity prices, interest rates, inflation, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

IESO Credit Facility

The Ministry of Energy indicates the IESO is responsible for financing short to medium term funding shortfalls in the implementation of Ontario's Fair Hydro Plan. This was noted by the Board as part of the legislative package brought on May 9, 2017.

To support this, the Ministry of Finance (MOF) is seeking an Order in Council (OIC) to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2B, which will provide the OFA with the capacity to provide additional loans to the IESO in order to fulfil the commitments under the Ontario *Fair Hydro Plan Act, 2017*. The Capital Investment Plan Act (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"). Further information in Appendix G.

The Ministry indicates further work to enable GA refinancing will be undertaken Summer/Fall 2017:

- Minister to determine the Fair Allocation Amount for each reference period;
- OPG as Financial Services Manager to produce Financing Plans that would set out funding obligations for each reference period consistent with the Fair Allocation Amount;
- IESO to record deferral amounts and establish the regulatory asset;
- OPG/SPV to begin purchasing of investment asset; and
- OPG to work with lenders and credit rating agencies in establishing the vehicles for selling of investment asset interests.

Regarding on-going TB/MBC engagement, the March 1, 2017 minute directed the Ministry to report back to TB/MBC through regular updates including quarterly reports and the 2018-19 PRRT on the status of implementation, and revised out-year expenditure requirements if applicable. This should enable Treasury Board to monitor the Fair Hydro Plan actuals vs the planned approach for social programs and refinancing of GA.

<u>Delivery of Electricity Social Programs:</u>

Ontario Electricity Support Program

The Ministry is proposing amendments to the existing Ontario Electricity Support Program (OESP) regulation that will enable the Ministry of Community and Social Services (MCSS) to help new and existing social assistance clients to enroll in the OESP.

The amendments are in support of efforts to increase enrollment by reducing application burdens on target populations and enable the development of automatic OESP enrollment procedures for some populations already receiving other government programming (in this case already receiving social assistance).

- MCSS with the support of the Ministry of Energy intend to bring a temporary resources request to the July 25, 2017 TB/MBC meeting.
- The March 1, 2017 Board Minute included direction to pursue additional measures to substantially increase OESP take-up. The Ministry indicates OESP enrolment is about 35% of the targeted low-income population (about 575,000 target population). Stats provided by MCSS indicate just over 109,000 Social Assistance clients being eligible for OESP (as they receive hydro bills directly), but MCSS does not know the portion of the 109,000 that are already OESP recipients.
    - As part of the July 2017 joint submission from MCSS and Energy, Energy should make reference to its overall strategy to move OESP towards 100% participation (This engagement of MCSS would be part of the strategy). Details of the strategy could be part of this submission or OESP report back requirement in the March 1, 2017 minute

(See Appendix D).

The Ministry indicates it will return to LRC/Cabinet in the Fall 2017 with a proclamation OIC to finalize transfer of the OESP from the IESO variance account to government funding. This timing is consistent with previous submissions and ensures the variance account is drawn down before government funding is provided. Drawing down the variance account first should provide fiscal plan flexibility for 2017-18 as the $140M in voted appropriations for a July 1, 2017 transfer payment start date.

On-Reserve First Nations Delivery Credit (FNDC)

The Ministry is proposing a correction to the recently established FNDC regulation to ensure that residents of Cate Lake Reserve receive the FNDC and that there is no confusion as to who will provide the credit.

Analysis/Risks

TBS staff analysis of the May 9, 2017 submission focused on OFHP legislation and indicated that financial, legal, and accounting external assessments of the planned approach to GA refinancing are supportive, noting assessments must be revisited once key implementation details are finalised (e.g. draft legislation, regulations, Special Purpose Vehicle documents, terms of conditions within various other agreements). Final accounting opinions will only be received after final regulations and commercial agreements.

Future reassessments, Navigant's analysis of expected lifecycle for existing generation infrastructure (key), and other factors such as Ontario electricity demand, interest rates in the medium to long-term, and the rate of inflation may contribute to fiscal plan implications emerging over time.

This assessment has not changed with the current submission. The Ministry indicates Navigant's analysis is still pending along with finalized details for elements such as the special purpose vehicle documents, and terms/conditions within various other agreements.

Financial

- The multi-year fiscal profile identified by the Ministry as part of this submission (below) are consistent with the voted appropriation approved for the Ministry through the 2017 Budget. Cost forecasts for these programs were made through a combination of Ministry analysis that utilized consumption data and local distribution company rates to estimate program costs, and information provided to the Ministry by the OEB.

$M	2017-18	2018-19	2019-20	2020-21
Ontario Electricity Support Program (OESP)	140	261	325	375

- The Ministry notes it is currently assessing the potential impact of the Hydro One and other LDC rate applications and will report back to TB/MBC with the potential out-year impacts of this rate application.
- The allocations for the social programs are based on a number of variable inputs such as program uptake, electricity market conditions and forecasting models that are subject to change and represent an on-going fiscal risk. Sensitivity analysis will allow the government to develop a risk based outlook to understand potential fluctuations in the cost of these initiatives.
- There are no sunset dates for the programs and it is important to understand the full cost of the initiatives (including electricity price projections) for the longer term, beyond the year 2021-22 informed by the Long Term Energy Plan.

- Lastly, further information is required on the detailed consumer impacts with assumptions and methodologies specified and documented to support better decision making and achieving the intended program goals.

Accounting

- The fiscal impact associated with the OFHP will be determined by how the series of complex transactions are accounted for on the Province's Consolidated Financial Statements which are prepared in accordance with public sector accounting standards established by CPA Canada. A number of details yet to be finalized through the regulations and various commercial agreements will inform the final accounting analysis.
- While accounting for the social programs and the Affordability Fund as transfers is fairly straightforward, the accounting for the GA mechanism is relatively more complex. To mitigate accounting risk associated with the latter, both the IESO's and OPG's external auditors have provided independent accounting advice on the appropriate accounting for elements of the OFHP structure related to each entity, contingent on finalization of regulations and commercial agreements. Based on the audited financial results for these organizations, supported by the anticipated final accounting opinions, the Office of the Provincial Controller will prepare the Province's consolidated financial statements based on public sector accounting standards.
- At this time, the Auditor General (AG) has not identified any concerns related to the accounting for the social programs; however, the AG has voiced concerns regarding the planned accounting treatment for the OFHP as related specifically to the GA component which is expected to impact the Province's financial results for the first time in 2017-18. TBS staff note the AG has also publicly communicated her opposition to a change in the IESO's accounting policy to reflect rate regulated balances on its books. The Province supports the IESO's accounting treatment as more fairly presenting the economic substance of the entity's market-related activities.
- The AG is currently reviewing the Province's accounting analysis related to the Affordability Fund which reflects a $100M transfer payment to be reflected in the Province's 2016/17 Public Accounts.
- If the AG does not concur with the Province's accounting treatment, including the change in accounting treatment by the IESO, there is a risk the AG may provide a qualified audit opinion on the Provinces' financial statements in the Public Accounts.

Legal

- The ministry has stated the legal risk remains the same as identified at the May 10, 2017 Cabinet meeting regarding the *Fair Hydro Plan Act, 2017*, including and related to:

GA Refinancing

- In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets present only a low risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets.
- Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the asset, but rather is doing so in order to lower the price in the short term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.
- The degree of constitutional risk is in direct proportion to the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year from electricity generated by those facilities.

If the government fails to establish that the relevant electricity generating assets will continue to perform economically over the 30-year period, or if the GA charge is in the opinion of the court disproportionately back end loaded, the GA will not qualify as a regulatory charge (and would be characterized as a tax).

- The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period.

The Ministry has provided an update to key risks including mitigation strategies (see Appendix I). The overview of strategic risks, from May 9 2017 TB assessment note, has been brought forward providing context for the more operational nature of Appendix K.

In addition to the risks cited in Appendix H in the implementation of the OFHP, a number of supporting arrangements are being sought by the IESO and OPG, including the following:

<u>Indemnities for OPG (Ontario Power Generation) and IESO</u>

- OPG and IESO have requested indemnities from the Province for their respective Directors, Officers and employees in relation to their roles in the implementation of the OFHP. Ministry of Energy staff are putting together a section 28 approvals submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO.
    - IESO and OPG have stated that these indemnities are required for their participation in the implementation of the OFHP Act.
    - Draft materials from Energy state that the likelihood of this indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
    - Energy has confirmed in its draft request letter that it bears responsibility for funding, within its approved allocation, for payments associated with the indemnities provided under the Agreements.
- As currently proposed, the Minister of Finance will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister of Energy.

<u>Provincial Support Agreement or Provincial Guarantee Agreement</u>

- As part of the OFHP and in order to provide support to those with claims against the Financing Entity (i.e., planned to be the OPG Trust) and with the ultimate objective of providing the highest possible credit ratings (and corresponding impact on interest costs to the ratepayers), the Province has been asked to provide both a Service Guarantee and a Performance Guarantee to support obligations of the IESO and the debt instruments issued by the Financing Entity.

Name of analyst:	James Strang/ with input from OPCD, OFA and CoE	**Phone number:**	416-327-2071
Date:	June 27, 2017	**Log number:**	
Branch / Division:	GGPR / PEMD / Treasury Board Secretariat		

APPENDIX A: PROPOSED MINUTE

Receive a report on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

i) Note that the proposed new regulations and amendments to existing regulations include the following program parameters:

Electricity Social Programs:

Ontario Electricity Support Program (OESP)

a) To enable Ministry of Community and Social Services to sign up social assistance clients for OESP based upon Ontario Works (OW) and Ontario Disability Support Program (ODSP) eligibility criteria, and matching this eligibility to the existing OESP household size / income credit table, and to ensure that those deemed financially eligible for either OW or ODSP are also eligible for OESP.

On-Reserve First Nations Delivery Credit (FNDC)

a) A correction to the recently established FNDC regulation to ensure that residents of Cate Lake Reserve receive the FNDC and who will provide the credit.

Implementation of Global Adjustment Refinancing:

a) Roles and responsibilities of the Financial Services Manager (FSM) (i.e., Ontario Power Generation) and Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) in relation to the refinancing of Global Adjustment (GA);
b) Require that the clean energy adjustment be a specific line item on bills and that LDCs keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM);
c) Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account;
d) Provide further criteria related to the development and implementation of the financing plan by the FSM;
e) Provide for further principles that must be taken into account by the Minister of Energy in the calculation of the fair allocation amount (i.e., commodity prices, interest rates, inflation, population, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

ii) Recommend the following proposed new regulations and amendments to existing regulations proceed to Cabinet for approval:

a) New General Regulation to be made under Part I of the *Ontario Fair Hydro Plan Act, 2017*, which is Schedule 1 of the *Fair Hydro Act, 2017*
b) Amendments to O. Reg. 197/17 (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998* (OEBA)
c) Amendments to O. Reg. 314/15 (Ontario Electricity Support Program) to be made under the OEBA

iii) Direct the Ministry to report back to TB/MBC with the details of:
a) The overall strategy to substantially increase OESP enrolment, as part of the pending joint submission with MCSS to increase Social Assistance clients enrolled in OESP; and,
b) Any additional proposed regulations with financial implications prior to proceeding to Cabinet for approval.

iv) Note the Ministry is working with central agencies on the credit facility for the Independent Electricity System Operator (IESO) and on a request for indemnities for Ontario Power Generation and IESO.

APPENDIX B: FINANCIAL TABLES

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE					TABLE B1
		Fiscal Plan Basis			*Appropriations Basis*
$ Millions		**2017-18**	**2018-19**	**2019-20**	**2017-18**
Initiative cost		0.000	0.000	0.000	
Expense changes:					
	Oper	0.0000	0.000	0.0000	0.0000
	Oper	0.0000	0.0000	0.0000	0.0000
Total Fiscal Impact		**0.0000**	**0.0000**	**0.0000**	**0.0000**

APPENDIX C: OFHP OVERVIEW

Ontario Rebate for Electricity Consumers

The *Ontario Rebate for Electricity Consumers Act, 2016* will reduce electricity costs by 8 per cent on the amount before tax, an average savings of about $130 annually or $11 each month, for about five million residential consumers, farms and small businesses.

Eligible rural electricity ratepayers will receive additional relief, decreasing total electricity bills by an average of $540 a year or $45 each month.

Commercial, institutional and industrial ratepayers would also benefit from up to 34 per cent lower electricity costs through the expansion of the Industrial Conservation Initiative.

Details:

- The province is reducing costs for eligible rural ratepayers by providing additional funding to the Rural or Remote Rate Protection (RRRP) program.
- The Industrial Conservation Initiative (ICI) provides a strong incentive for large electricity consumers to shift their electricity consumption to off-peak hours to reduce their bills by up to one-third. Ontario intends to expand ICI to help reduce cost pressures on the electricity system and enable more consumers to reduce their electricity bill by up to one third.
- Ontario has removed the Debt Retirement Charge from residential electricity bills and introduced the Ontario Electricity Support Program (OESP) to provide a monthly credit to low-income households who have applied and meet the eligibility requirements to help reduce electricity costs.

Fair Hydro Act

The *Ontario Fair Hydro Act, 2017* reduces electricity bills for all residential consumers and as many as half a million small businesses and farms, starting this summer. Lower-income Ontarians and those living in eligible rural and northern communities will receive even greater reductions, as much as 40 to 50 per cent. As part of this plan, rate increases will be held to the rate of inflation for four years.

These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills. Taken together, these changes are delivering the largest reduction to electricity rates in Ontario's history. To facilitate these immediate savings, the legislation:

Details:

- Enables the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This will be accomplished through refinancing a portion of the Global Adjustment (GA), resulting in significant and immediate rate reductions.
- Modifies and broadens the Ontario Electricity Support Program (OESP) to expand benefits and ensure it is funded by government instead of ratepayers, reducing bills for all.
- Enhances the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to a total of approximately 800,000 customers and shift costs from ratepayers to provincial revenues. The enhancement will benefit customers served by local distribution companies (LDCs) with the highest distribution rates. These savings will begin July 1, 2017.
- Provides on-reserve First Nations households serviced by licensed distributors with a 100 per cent credit of the delivery line on their monthly electricity bills, starting July 1, 2017.

APPENDIX D: PREVIOUS TB/MBC MINUTE (MARCH 1, 2017)

Approve electricity rate mitigation actions that support up to a 25% electricity bill reduction (including the 8% reduction announced in 2016) for an average household in 2017.

In this regard, the Board:

i. Direct the Ministry of Energy to implement electricity rate mitigation for all electricity consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan (RPP) and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor by:

   a) Subject to completed legal, accounting and financing risk assessments, refinance the Global Adjustment (GA) in order to partially defer RPP-eligible ratepayer GA costs by reducing projected after-tax electricity costs for a typical residential customer consuming 750kWh per month in 2017 by about 16%. Total projected bill increases will be kept in line with CPI until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures gradual recovery of the accumulated debt by 2048, with escalation in subsequent years set above Consumer Price Index (CPI) in order to ensure that bill increases due to repayments are capped at around 10% of the total bill.

   b) Direct the Ministry to report back to TB/MBC by Spring 2017, prior to going to LRC with any legislation, on the approach to refinance Global Adjustment , including, but not limited to:

      - Formal accounting opinions from OPG and IESO auditors.
      - Completed legal, financing and accounting risk assessments. Assessments to include, but not limited to proposed legislation, technical aspects such as Eurig analysis, and risk to borrowing (in discussion with the OFA).
      - Report on the multi-year profile of GA smoothing, identifying specific assumptions.
      - Report on sensitivity analysis completed as assumptions vary, such as under different recovery rates and periods.
      - Overall risk mitigation plan addressing completed legal, accounting and financing risk assessments.

   c) If a non-fiscal mechanism cannot be established:
      1. Direct the Ministry to report back to Cabinet and TB/MBC with options for achieving a comparable level of electricity rate mitigation in the most cost effective way, in order to minimize the impact on the province's fiscal plan.
      2. Note costs to government of proceeding if cost of refinancing of Global Adjustment is recognized as an expense in the fiscal plan of up to $2,534,000,000 in 2017-18, $2,668,000,000 in 2018-19, $2,942,000,000 in 2019-20, $3,420,000,000 in 2020-21 and $3,232,000,000 in 2021-22.

ii. Broadening the Rural or Remote Rate Protection (RRRP) program to mitigate distribution charges for customers of Local Distribution Companies (LDC) with some of the highest distribution rates, and moving the program from a ratepayer funded program to a government funded program beginning in 2017, including:

   a) Harmonizing distribution cost for customers with the highest distribution rates (Hydro One (R1 and R2 rate classes), Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power (Parry Sound service

territory) and Northern Ontario Wires Inc) at the lowest distribution rate paid by the average consumer of the LDCs noted by fall 2017.

b) Note costs estimated at up to $459,000,000 in 2017-18, $472,000,000 in 2018-19, $484,000,000 in 2019-20, and $497,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to broaden RRRP.

e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the broadened program now government funded
- Report on and assessment of impacts of consolidation of LDCs
- Assessment of distribution rates and implications for the program

iii. Expanding every benefit level of the Ontario Electricity Support Program by 50%, moving the program from a ratepayer funded program to a government funded program beginning in 2017 and pursuing additional measures to substantially increase take-up.

a) Note costs estimated at up to $186,000,000 in 2017-18, $261,000,000 in 2018-19, $325,000,000 in 2019-20, and $375,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

c) Direct the Ministry to work Treasury Board Secretariat (Behavioural Insights Unit, Centre of Excellence for Evidence-Based Decision Making) to accelerate/ maximize program uptake.

d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to expand OESP.

e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Identify eligibility criteria, and refinements being made.
- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the expanded program now government funded.

iv. Establishing a new government funded Affordability Fund to provide energy efficiency measures to electricity customers who do not qualify for existing low income conservation programs and who have difficulty paying their electricity bills.

a) Approve to commit up to $200,000,000 on a multi-year basis to support the Affordability Fund.

b) Direct the Ministry to report back to TB/MBC with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

v. Establishing a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve.

a) Note costs estimated at up to $20,000,000 in 2017-18, $20,000,000 in 2018-19, $20,000,000 in 2019-20, and $20,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

vi. Expanding the Industrial Conservation Initiative (ICI) by reducing the eligibility threshold to 500kW to enhance competitiveness for Class B manufacturers beginning July 2017.

a) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, results achieved to date versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.

vii. Direct the Ministry:

a) To work with Treasury Board Secretariat and the Ministry of Finance on the development of a comprehensive risk-based costing, including forecast models and sensitivity tests on assumptions and financial estimates, for the electricity mitigation initiatives.

b) To report back to TB/MBC through regular updates including quarterly reports and the 2018-19 Program Review, Renewal and Transformation (PRRT) on the status of implementation, and revised out-year expenditure requirements if applicable.

c) To continue to work with the Ontario Energy Board, the Independent Electricity System Operator and Ontario Power Generation, through the Long-Term Energy Plan 2017, to further reduce electricity rates across the system.

d) To work with the Ministry of Finance, Treasury Board Secretariat, Cabinet Office and Office of the Premier on an integrated communications strategy.

APPENDIX E: PREVIOUS TB/MBC MINUTE (MAY 9, 2017)

Receive a report back providing an update on current implementation status, including proposed legislation, of the Ontario Fair Hydro Plan, previously at TB/MBC March 1, 2017 and announced on March 2, 2017.

In this regard, the Board:

i) Note that the proposed Fair Hydro Act, 2017, includes:

Electricity Social Programs:

a) Establishment of a First Nation Delivery Credit for On-Reserve Consumers, funded from voted appropriations.
b) Establishment of new distribution rate protection program to eligible residential customers served by LDCs with the highest distribution costs, funded from voted appropriations.
c) Shift from costs recovered from ratepayers to funding out of voted appropriations for Ontario Electricity Support Programs.
d) Delayed proclamation for OESP once proposed amendments are passed until the IESO variance account for the program is close to wound down.

Global Adjustment Refinancing:

a) Establishes the fair allocation adjustment that gives the relief to certain specified consumers during the period July 1, 2017 to June 30, 2021 to ensure intergenerational fairness.
b) Requirement for future consumers to pay the clean energy adjustment that backs financings.
c) Sets out that the Financial Services Manager (OPG) prepares the Financing Plan establishing when a funding obligation should be incurred so that the OPG entity can raise money to acquire the Investment Interest.
d) Establishes the LGIC's power to authorize the Ministers of Finance and Energy to guarantee and indemnify any debts, obligations, securities or undertakings associated with the investment interest.
e) Sets out how the regulatory asset will be determined and how it can be converted into the investment asset, and the investment asset rights.
f) Sets out that security interests can be granted in investment interests in the investment asset.

ii) Recommend the proposed Fair Hydro Act, 2017 to proceed to Cabinet for approval.

iii) Note a new credit facility is being sought by the IESO from the Ontario Financing Authority to ensure that it has the flexibility to finance clean energy costs if for some reason the OPG Trust, at any time, does not purchase any portion of the deferred Global Adjustment amounts payments. An Order in Council to allow the Ontario Financial Authority to provide an expanded credit facility will be requested.

iv) Direct the Ministry of Energy to work with Treasury Board Secretariat and the Ministry of Finance/Ontario Financing Authority and report back to TB/MBC on the details of proposed regulations prior to going to LRC, and to provide the Board with an update towards completed legal, accounting and financing risk assessments.

In this regard, direct the Ministry to:

a) Include a report related to GA Refinancing on findings from sensitivity analysis completed as assumptions vary, such as under different recovery rates, different interest rates, different demand, etc., and combinations of key factors, and then to quantify the likelihood of high/medium/low impact scenarios, with assumptions and methodologies clearly specified and documented.
b) Include electricity social programs with details of forecasting models and costing estimates, including assumptions, sensitivities analysis that would allow identification of risks to the fiscal plan for Broadening RRRP, OESP. The Ministry is to include similar information for the Ontario Rebate for Electricity Consumers.
c) To report back with final program details for 2017-18 for GA Refinancing and Electricity Social Programs, including fiscal plan implications and consumer impacts with detailed assumptions and methodologies specified and documented.
d) To report back with updates to risk mitigation strategies that address key financial and operational risks.

v) Note the following outstanding report back requirements from March 1, 2017 minute:

a) Broadening RRRP – Direct the Ministry to report back to TB/MBC in 2017-18 on the effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
   - Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.
   - Establishing program performance management framework including targets for the broadened program now government funded
   - Report on and assessment of impacts of consolidation of LDCs
   - Assessment of distribution rates and implications for the program

b) OESP – Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
   - Identify eligibility criteria, and refinements being made.
   - Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.
   - Establishing program performance management framework including targets for the expanded program now government funded.

c) Affordability Fund – Direct the Ministry to report back through quarterly reporting process with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

d) On-Reserve First Nations Delivery Charge – Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

e) Industrial Conservation Initiative – Direct the Ministry to report back through quarterly reporting process with results achieved versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.

vi) Approve the Ministry to fund a media buy plan with a maximum value of $3,500,000 with PHD Canada, the Advertising Review Board's mandatory-use media planning and buying Agency of Record. In this regard,

a) Note the Ministry of Energy has already spent approximately $1,000,000 with PHD Media in 2016-17 and is forecasting expense of approximately $2,500,000 in 2017-18.

b) Note the Ministry of Energy will return to request a transfer of funds of up to $2,500,000 in 2017-18 to the Ministry of Energy from the Bulk Media Buy program in Treasury Board Secretariat to recover costs for the public education campaign.

APPENDIX F: PREVIOUS TB/MBC MINUTE (JUNE 13, 2017)

Receive the first of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

i) Note that the proposed new regulations and amendments to existing regulations include the following program parameters:

Electricity Social Programs:

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

a) Provides for a fixed monthly credit ($60.50), replacing the existing prescribed annual amount and making the escalating factor unnecessary; and,
b) Sets out a process that the Ontario Energy Board (OEB) will utilize to determine the maximum monthly distribution charge that all prescribed high-cost distributors will charge their customers; and,
    1) Sets out the proposed distributors as Atikokan Hydro Inc.; InnPower Corporation; Chapleau Public Utilities Corporation; Sioux Lookout Hydro Inc.; Northern Ontario Wires Inc.; Lakeland Power Distribution Ltd. (Parry Sound Rate Zone); Algoma Power Inc. (residential); and, Hydro One Networks Inc. (Low & medium density classified customers).

On-Reserve First Nations Delivery Credit (FNDC)

a) Defines eligibility as being restricted to those residential rate class First Nations customers who are members of a band as defined under the federal Indian Act;
b) Eliminates the delivery charge, or monthly service charge for those customers served by Local Distribution Companies (LDCs) that do not have a delivery charge, for on-reserve residential First Nations customers; and,
c) Defines eligibility currently affects 11 LDCs serving on-reserve consumers: Algoma Power Inc., Attawapiskat Power Corporation, Bluewater Power Distribution Corporation, Cat Lake Power Utility Ltd., Cornwall Electric Distribution, Hydro One Networks Inc. Hydro One Remote Communities Inc., PUC Distribution Inc., and Thunder Bay Hydro Electricity Distribution; Fort Albany Power Corporation; and Kashechewan Power Corporation.

Implementation of Global Adjustment (GA) Refinancing:

a) Supports the required calculations to be made by the OEB;
b) Provides the methodology that the OEB will use in applying reductions to eligible and non-regulated consumers who are eligible for GA refinancing;
c) Sets out the near-term reductions (i.e., the reductions that will be applied by the OEB from July 1, 2017 to April 30, 2018), as well as the reductions from May 1,

2018 to April 30, 2019. Further adjustments to be made for future periods beginning May 1, 2019 would be set out in further amendments the regulation; and,

d) Provides the Independent Electricity System Operator (IESO) with the necessary authority related to its activities, including the funding, borrowing and financial arrangements.

ii) Recommend the below proposed new regulations and amendments to existing regulations proceed to Cabinet for approval:

a) New Regulation to be made under Part II of the *Ontario Fair Hydro Plan Act, 2017*, which is Schedule 1 of the *Fair Hydro Act, 2017*;
b) Amendment to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the *Electricity Act, 1998*;
c) New Invoicing Regulation to be made under the *Ontario Fair Hydro Plan Act, 2017*;
d) New Regulation (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998* (OEBA);
e) New Regulation (Distribution Rate Protection) to be made under the OEBA;
f) Amendments to O. Reg. 442/01 (Rural or Remote Electricity Rate Protection) to be made under the OEBA;
g) Amendments to the O. Reg 363/16 (General) to be made under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA); and,
h) Amendments to O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) to be made under the OEBA.

iii) Direct the Ministry to report back to TB/MBC with:

a) The details of additional proposed regulations with financial implications prior to proceeding to Cabinet for approval; and,
b) An update on previously minuted report back requirements.

APPENDIX G: CREDIT FACILITY BACKGROUND

Under the Ontario Fair Hydro Plan Act, 2017, the IESO will 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.

During this period, Global Adjustment amounts collected from ratepayers will be insufficient to fund the IESO's contractual obligations to electricity producers and service providers. The Ontario Fair Hydro Plan Act, 2017 gives the IESO the right to recover those deferred amounts from specified consumers in the future (the "regulatory asset") and the ability to sell the regulatory asset to a financing entity.

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 from selling the regulatory asset would be used by the IESO to fund the current Global Adjustment shortfall.

There is expected to be initial and ongoing IESO cash flow requirement 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 (planned for later in summer 2017; however, exact timing is subject to actual implementation). Even once the SPV is set up to borrow, there is expected to 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 expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset.

This was part of the May 9, 2017 TB/MBC, with the minute noting efforts underway to put the credit facility in place, and is on-going.

The OFA currently provides a $975 million credit facility to the IESO for other purposes, it is proposed that the OFA provide a new credit facility to the IESO, in an amount of up to about $3 billion.

The use of this new credit facility for a length of time could pose a potential fiscal impact to the Province upon consolidation of IESO.

Approvals Required for OFA Financing

OFA indicates the recommended TB/MBC minute should note a new credit facility is being sought by the IESO to ensure that it has the flexibility to cover clean energy costs if for some reason the OPG Trust, at any time, does not purchase any portion of the deferred Global Adjustment amounts payments. An order-in-council will be sought to allow the OFA to be able to provide the new credit facility to the IESO, for an amount to be determined as per the requirements of the Fair Hydro Plan.

The following approvals are required by the OFA to accommodate the request to provide financing to the IESO:

1) An Order-in-Council is required for the Minister of Finance to lend to the OFA.
2) A Directive from Minister of Finance is required for the OFA to on-lend to the IESO.

3) An executed credit agreement between the OFA and the IESO.

1. Order-in-Council (OIC)

An OIC is required to authorize the Minister of Finance to lend to the OFA. Ministry of Finance Legal Services Branch would need to be engaged to facilitate the request.

- The existing $975 million credit facility was covered under OIC 675/97 which authorized the Minister of Finance to lend a revolving $2.16 billion to the OFA. This OIC was originally obtained in 1997.

It is understood that upon drafting the OIC (by MOF Legal), the OIC would need final approval from Lieutenant Governor in Council LGIC as required under section 22(1) of the *Capital Investment Plan Act*, 1993.

- The OIC would go through Deputy Minister of Finance, Minister of Finance, Chair of Cabinet for briefing/sign-offs and finally to the LGIC for approval.

To draft the OIC, the following details will be required:

i. Dollar Value of Loan from the Minister of Finance to the OFA
ii. Maturity Date of the Loan
iii. Interest Rate of the Loan

The following are recommended to accommodate IESO's need for financing:

i. Dollar Value of Loan:
$3 billion, as per request. The OIC would provide the maximum limit of any loan to IESO and it may be advisable to add a cushion and provide an OIC for $3.5 billion.

ii. Maturity Date of the Loan:
OIC maturing March 31, 2048 would provide approximately 30-year term to match the Fair Hydro Plan. It may be advisable to add a cushion and set a maturity date to March 31, 2053 (cushion of 5-years).

iii. Interest Rate of the Loan
Interest rates on the loans from the Minister of Finance to the OFA have typically been a 1) Ontario 90-day t-bill rates, 2) flow-through of the rates charged to the third-party by the OFA and/or 3) the rate charged to the third-party by the OFA less 25bps.

OFA recommends to keep this unchanged to provide consistency with past OICs but also to provide flexibility in the rates that could potentially be charged to IESO, to be determined by the Minister of Finance, by way of the Minister's Directive.

2. Minister's Directive

Once the Minister of Finance has the authority under an OIC, a Minister's Directive can authorize the OFA to lend to IESO. The Directive can outline specific terms and conditions as needed.

3. Executed Credit Agreement

With a Minister's Directive approved, the OFA and IESO can work to execute a credit agreement, subject to any terms and conditions of the Directive and any policy considerations.

APPENDIX H: DETAILS OF PROPOSED REGULATIONS

Partial Refinancing of the GA

The ministry is proposing a new General Regulation under the OFHPA that would support the implementation of the refinancing of the Global Adjustment (GA):

- Provide for the implementation of the roles and responsibilities of the Financial Services Manager (FSM)(i.e., OPG) and OEB and IESO in relation to the refinancing of GA:
    - methodology for calculating the clean energy adjustment, the finance amount and the true-up amount;
    - required communications by FSM with OEB on clean energy adjustments for each reference period during the recovery period;
    - requiring that OEB use the FSM calculations of clean energy adjustment to determine a kWh amount for the clean energy adjustment for each reference period during the recovery period using IESO demand forecasts;
- Require that the clean energy adjustment be a specific line item on bills and that LDCs keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM);
- Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account;
- Provide further criteria related to the development and implementation of the financing plan by the FSM;
    - reasonable assumptions and additional principles and that the FSM must make or take into account, such as seeking to incur funding obligations on the best terms available and flexibility to cope with changes to future fair allocation amounts; and,
- Provide for further principles that must be taken into account by the Minister of Energy in the calculation of the fair allocation amount (i.e., commodity prices, interest rates, inflation, population, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

Social Programs

Ontario Electricity Support Program

The OESP is an income-tested, application based program that lowers electricity costs of the most vulnerable consumers by providing a rebate directly on electricity bills.

The ministry is proposing amendments to O. Reg. 314/15 made under the OEBA to enable Ministry of Community and Social Services staff to sign up social assistance clients for OESP based upon Ontario Works (OW) and Ontario Disability Support Program (ODSP) eligibility criteria, and matching this eligibility to the existing OESP household size / income credit table. The amendment is in support of efforts to increase enrollment by reducing application burdens on target populations and enable the development of automatic enrollment procedures for some populations already receiving other government programming. The amendments also ensure that households (MCSS uses the term

"benefit unit") deemed financially eligible for either OW or ODSP, but do not meet the current OESP eligibility requirements, will also be eligible for OESP.

The Ministry indicates it will return to LRC/Cabinet in the Fall 2017 with a proclamation OIC to finalize transfer of the OESP from the IESO variance account (used when OESP was funded by electricity ratepayers) to government funding. This timing is consistent with previous submission and ensures the variance account is drawn down before government funding is provided.

On-Reserve First Nations Delivery Credit (FNDC)

The Ministry is proposing a correction to the recently established FNDC regulation to add "licensed distributor" in front of "serving Cat Lake First Nation."

Regulations supporting implementation were before the Board June 13, 2017.

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

Regulations supporting implementation were before the Board June 13, 2017.

APPENDIX I: MINISTRY'S UPDATE ON RISKS AND MITIGATION STRATEGIES

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
1) Global Adjustment (GA) Refinancing			
Maintaining OPG's Financial Viability / Capital Structure	L	H	• OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Energy). • Equity injections are necessary to support OPG as the owner and manager of GA refinancing. The equity injections allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • In order to obtain financing, OPG would develop a special purpose vehicle (SPV). • OPG has a great deal of experience managing the risks associated with borrowing through its experience developing capital-intensive generation projects as well as their management of Nuclear Funds. • OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. **Update:** • Work is ongoing to finalize a draft term sheet that would serve as the basis for the Master Subscription Agreement between OPG/ENERGY and OFA. In addition, OFA and ENE to develop Service Level Agreement for monthly cash management services.
OPG Securing Capital Markets Funding	L	H	• OPG will need to obtain a portion of the required funding from the capital markets. • The Ministry, IESO, OPG and other ministries have worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation enables refinancing of the GA. • In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will use 100% debt financing to purchase the regulatory asset, financing 51% through capital markets as senior debt, with the remaining 49% being provided by OPG as subordinated debt. • The 49% subordinated debt from OPG will be financed through debt OPG issues in its own capacity, through capital markets (up to 5%) with the remainder (44-49%) financed through equity injections from the Province. This will help to ensure OPG's capital structure remains in line. **Update:** • The legislation and proposed general regulation were developed with input from third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the Global Adjustment (GA).

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			• OPG is continuing to work through the mechanics of securing financing (e.g., engaging rate agencies, etc). • In addition, in order to provide assurances to those with claims against the "Financing Entity" (e.g., holders of debt) and support credit ratings, the Province expects to provide both a Service Guarantee and a Performance Guarantee to ensure that the obligations of IESO are carried out including obligations related to collecting and remitting clean energy adjustments. Working is ongoing.
Managing Interest Cost Risks	M	H	• OPG's Special Purpose Vehicle (SPV) / Trust is borrowing in its own corporate capacity from the capital markets. • Risk that it may incur a higher interest cost than what was originally forecast (i.e., 5%). **Update:** • The legislation and proposed general regulation were developed with input of third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the GA • The provincial guarantee as set out in legislation should provide comfort to dealers, thereby increasing the likelihood of achieving more favourable interest rates. • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July. • The Financial Services Manager will be required under the principles of the financing plan to seek the best terms available at the time of incurrence of a funding obligation.
Provincial Guarantee is Triggered	L	H	• The legislation sets out that the province could, with certain approvals, provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework. The intent is to ensure that investors' interests may be recovered. • The legislation also enables the Province to: o Through the Ministers of Energy and Finance upon approval by Lieutenant Governor in Council, agree to guarantee any debts and obligations; and **Update:** • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
IESO Failure to Establish a Regulatory Asset / Maintaining IESO Financial Viability	L	H	• To recover its revenue shortfall, IESO will establish as a Regulatory Asset that it would sell to OPG's SPV / Trust. • The OEB will authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. • IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset.

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			Update: • IESO has received an accounting opinion from KPMG that concurs with IESO's view that it has the ability to establish the regulatory asset. • In addition, OFA is planning to increase IESO's credit facility to support its role in implementing the OFHPA. OFA is proposing an OIC that would authorize the OFA to borrow an additional $2.0 billion, which would be in addition to existing authority for the Minister of Finance to provide loans to the OFA, to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requested requirements.
Indemnities provided to OPG are triggered/called **(Inserted by the Ontario Financing Authority, MOF)**	L	H (Not quantifiable at this time)	• Ministry of Energy staff are putting together a s.28 (under the Financial Administration Act) approvals package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO with respect to their respective roles in carrying out the implementation of the Ontario Fair Hydro Plan. o The indemnities are expected to provide coverage for both organizations and their respective Board members, officers and employees involved in implementing the plan. o As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister of Energy. **Update:** • Work is ongoing to finalize the s.28 (under the Financial Administration Act) approval for indemnities. Note: There could be potential interactions between the provincial guarantees and the indemnities sought by OPG and the IESO, discussed below. A due diligence is currently ongoing by MOF Legal, OFA and Energy staff.
GA Refinancing Approach is Viewed as an Indirect-tax	L	H	• In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets. • Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax. • The legislation attempts to mitigate the risks identified above by requiring that the costs moved into the future align with the benefits that future rate payers will receive. To create the flexibility to achieve this requirement, the amounts of the costs and benefits will not be enshrined in the legislation.

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			Update: • The legislation was designed to mitigate this risk. • The Fair Allocation Amount, the process for which is further clarified under general regulation, will help to ensure that the allocation of costs associated with electricity generation facilities is reflected over the term of GA Refinancing.
2) Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP)			
Social Program Cost Estimating	M	M	• OESP costs will depend on uptake of the program, which will be impacted by the 50% increase in credits, enhanced eligibility, and work with MCSS on aligning OESP delivery with their social assistance programs • Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to ensure access to data for regular forecasting. • A mechanism would be created in regulation to ensure that all parties are aligned in the yearly forecasting and costing of the program. • Social program regulations include provisions to require the IESO and the OEB to provide the Ministry with information required to update cost projections based on up-to-date figures.

APPENDIX J: OVERVIEW OF RISK (CENTRAL AGENCIES PERSPECTIVE)

Prepared by TBS staff, the following chart provides an overview of strategic (versus operational) risks to inform the approval/decision making process regarding the proposed legislation. Each part, GA Partial Refinancing & Electricity social programs, is a separate table.

Global Adjustment Partial Refinancing:

Objective: Provide immediate ratepayer relief by capping rate increases at Consumer Price Index (CPI) for four years and refinancing GA costs over a longer period of time. Develop and implement a financing structure that increases provincial borrowing, but has no impact on annual provincial surplus/deficit.

Risk	Level of Risk	Risk Response
The determination of the appropriate legal and accounting treatment to be applied to the financing model may result in the costs of GA smoothing being allocated to the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time Scale:** 6 to 12 months **Rationale:** • The structure of the GA deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. • The proposal assumes GA refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. • If a favourable legal and accounting treatment is not implemented, there could be a negative impact on the province's fiscal plan up to $2.5B in 2017-18 and rising. • Rating agencies and investors in the Province's debt may view all of the borrowing as an obligation of the Province, especially taking into account the nature of provincial guarantees, which could put pressure on the Province's credit rating and overall borrowing capacity. • Proposed structure may result in a negative response from Ontario Auditor General (OAG) due to previous concerns regarding recognition of rate regulated assets and liabilities. The AG has already expressed concerns regarding the accounting treatment on the IESO's books which could lead to a qualification of the Province's consolidated financial statements. • Initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards.	Risk can be mitigated by: • Commissioning external opinions on the legal, fiscal and accounting requirements, which could be used by the Province to justify structure of financial model and be utilized in discussions with the OAG. • Identify potential options to minimize the balance of rate regulated assets remaining on the IESO's books at fiscal year-end.

Risk	Level of Risk	Risk Response
Uncertainty in the financial model due to dependence on assumptions that are subject to potential volatility may result in higher than anticipated future costs for rate payers and the province.	**Risk Likelihood:** Likely **Risk Impact:** Major **Time Scale:** More than 36 months **Rationale** • The financial model developed is a high level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model explicitly and implicitly (as a larger number of assumptions are embedded into the other forecasts that are used as inputs into the model). • The proposal financing structure will accrue total interest of about $26.2 billion, which is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the financial impact of potential changes in variables used in the financial models. • Building permissive language in the legislation and regulations to allow for timely course correction mechanisms (i.e. higher payment amounts and/or rate increases) • Regulations to prescribe the methodology to be applied by the Ontario Energy Board (OEB) to determine electricity rates in response to potential deviation from forecasted financing plans.
A legal determination that the Province is spreading the costs of GA financing in order to lower the price in the short term by increasing the price in the long term may result in the GA charge characterized as a tax and deemed unconstitutional.	**Risk Likelihood:** Medium **Risk Impact:** High **Time Scale:** Long-Term (More than 36 months) **Rationale** • If characterized as a tax, the GA charge could be subject to legal challenge and struck down as unconstitutional, allowing consumers to recover their payments. • Likelihood dependent on the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year. The bigger the reduction in charges to current consumers, the higher likelihood of the risk being realized. • Internal and external expertise have provided opinion that the proposed structure is constitutionally sound in the short-term (2017-18), but the likelihood of the risk increases in the proceeding four years, which will impact commitment to keep rate increase in line with CPI. • If annual increases in bills or the commodity prices are subject to caps, additional borrowing/provincial funding may be required.	Risk can be avoided by: • Imposition of a valid tax. • Change in policy (i.e. allow greater rate increases during the remainder of the rate mitigation phase and higher increases and payment amounts throughout rate increase and payment phase). • Use of public funds to ease pressure. Risk can be mitigated by: • Improve forecasting model and close monitoring of costs and changes in variables built into model. • Analyze the costs and benefits of the long lived assets (specifically usability beyond a 20 year period) to assist in determining a supportable GA deferral structure. • Draft legislation with built-in provisions to allow for the balance of the legislation to remain in effect if any particular clause or section is struck down by a court.

Risk	Level of Risk	Risk Response
Financing the costs of GA smoothing through OPG SPV/Trust and the volatility of interest rates may increase the cost of GA smoothing and/or require additional provincial funding.	**Risk Likelihood:** Possible **Risk Impact:** Moderate **Time Scale:** 12 to 24 months **Rationale** • The proposed structure will be reviewed by credit agencies to allow OPG to borrow in the open market. Depending on assessment, there may be an impact on interest rate for borrowing, the amount of equity/funding the province may need to provide and the requirement for a provincial guarantee. • As the OPG SPV/Trust will be borrowing in its own corporate capacity from the public markets, it will likely incur a higher interest cost compared to the Province's borrowing. • If the Trust can't raise the full funding requirements, additional cash injections would be required. If the borrowing cap of $28B is reached sooner than forecast, the province may have to provide incremental funding to float the program to 2047. • Beyond 2022, when steep increases are required, there will likely be additional pressure on the government to offset a part of the scheduled increases. • Risk that credit rating agencies may perceive OPG SPV/Trust's borrowing as debt supported by Province, impacting Province's ratings and cost of borrowing.	Risk can be avoided by: • Province providing a potential guarantee for the cost of borrowing – however, would redirect risk back to the Province and negate benefits of proposed financing structure. Risk can be mitigated by: • Equity injections from the province to support OPG as the owner and manager of GA refinancing and allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • Proposed legislation to enable GA refinancing has been draft with input from third-party financers. Provides a 'narrow' provincial guarantee and ensuring that debt holders have the right of action against a future government to recover the amount outstanding including interest, fees, expenses and any damages.

Risk	Level of Risk	Risk Response
The determination of the appropriate legal and accounting treatment to be applied to the financing model may result in the costs of GA Refinancing having a fiscal impact to the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time Scale:** 6 to 12 months **Rationale:** • The structure of the GA deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. • The proposal assumes GA refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. • If a favourable legal and accounting treatment is not implemented, there would be a negative impact on the province's fiscal plan of up to $2.5B in 2017-18 and rising. • Rating agencies and investors in Province's debt may view all of the borrowing as an obligation of the Province, which could put pressure on the Province's credit rating and overall borrowing capacity. • The proposed structure may result in an opinion from the Ontario Auditor General (OAG) considering previous concerns regarding recognition of rate regulated assets and liabilities. The OAG may take this into account when the provincial books are audited. • An initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards. Additional analysis is still required.	Risk can be mitigated by: • Commissioning external opinions on the legal, fiscal and accounting requirements, which could be used by the Province to support discussions of the financial model with the OAG.
Uncertainty in the financial model due to dependence on assumptions that are subject to potential volatility may result in higher than anticipated future costs for rate payers and the province.	**Risk Likelihood:** Likely **Risk Impact:** Major **Time Scale:** More than 36 months **Rationale** • The financial model developed is a high level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model explicitly and implicitly (as a larger number of assumptions are embedded into the other forecasts that are used as inputs into the model). • The proposal financing structure will accrue total interest of about $26.2 billion, which is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the sensitivity and financial impact of potential changes in variables used in the financial models. • Building permissive language in the legislation and regulations to allow for timely course correction mechanisms (i.e. higher payment amounts and/or rate increases) • Regulations to prescribe the methodology to be applied by the Ontario Energy Board (OEB) to determine electricity rates in response to potential deviation from forecasted financing plans.

Risk	Level of Risk	Risk Response
A legal determination that the Province is spreading the costs of GA refinancing in order to lower the price in the short term by increasing the price in the long term may result in the GA charge characterized as a tax and deemed unconstitutional.	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Scale:** Long-Term (More than 36 months) **Rationale** • If characterized as a tax, the GA charge could be subject to legal challenge and struck down as unconstitutional, allowing consumers to recover their payments. • Likelihood dependent on the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year. The bigger the reduction in charges to current consumers, the higher likelihood of the risk being realized. • Internal and external expertise have provided opinion that the proposed structure is constitutionally sound in the short-term (2017-18), but the likelihood of the risk increases in the proceeding four years, which will impact commitment to keep rate increase in line with CPI. • If annual increases in bills or the commodity prices are subject to caps, additional borrowing/provincial funding may be required.	Risk can be avoided by: • Imposition of a valid tax. • Change in policy (i.e. allow greater rate increases during the remainder of the rate mitigation phase and higher increases and payment amounts throughout rate increase and payment phase). • Use of public funds to ease pressure. Risk can be mitigated by: • Improve forecasting model and ongoing monitoring of costs and changes in variables built into model. • Analysis of the costs and benefits of the long lived assets (specifically usability beyond a 20 year period) to assist in determining a supportable GA deferral structure. • Draft legislation with built-in provisions to allow for the balance of the legislation to remain in effect if any particular clause or section is struck down by a court.

Risk	Level of Risk	Risk Response
Refinancing GA costs through an OPG SPV Trust may increase costs and/or require provincial funding.	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Scale:** 12 to 24 months **Rationale** • The proposed borrowing structure will be reviewed by credit agencies to allow OPG to borrow in the open market. Depending on assessment, there may be an impact on the interest rate for borrowing, the amount of equity / funding the province may need to provide and the requirement for a provincial guarantee. • As the OPG SPV/Trust will be borrowing in its own corporate capacity from the public markets, it will likely incur a higher interest cost compared to the Province's borrowing. • There is a risk that credit rating agencies may perceive OPG SPV/Trust's borrowing as debt supported by Province, impacting Province's own ratings and cost of borrowing. • If the Trust can't raise the full funding requirements, additional cash injections would be required. If the borrowing cap of $28B (in the March 1, 2017 Cabinet Submission) is reached sooner than forecast, the province may have to provide incremental funding to float the program to 2047. • Beyond 2022, when steep increases are required, there will likely be additional pressure on the province to offset a part of the scheduled increases. • Fiscal impacts will be subject to fluctuations in Ontario electricity demand, GA and interests rates in the medium-to long term.	Risk can be mitigated by: • Providing a "provincial guarantee" for the cost of borrowing. • Drafting legislation to provide assurance to OPG and investors regarding the permanence of the GA refinancing framework and the authority of the legislation to pass the legislation; and enable the Province to guarantee borrowing of the trust in the event of a market disruption. • Specifics of a guarantee are dependent on the negotiation of agreements not yet initiated. • Equity injections from the province to support OPG as the owner and manager of GA refinancing and allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost.

Electricity social programs (Enhancing Electricity Support & Conservation Programs):

Objective: Shift funding of existing and new electricity support programs (RRRP, OESP, Affordability Fund, First Nations Credit) from rate to tax base.

Risk	Level of Risk	Risk Response
Uncertainty in forecasting due to exposure to changes and/or volatility (i.e. interest rates, electricity usage patterns, and distribution costs) may result in higher than anticipated fiscal impacts for the Province.	**Risk Likelihood:** Possible **Risk Impact:** Major **Timescale:** 12 to 24 months **Rationale:** • The energy sector is complex and a number of key assumptions used as inputs into forecasting model are variables/forecasts themselves, resulting in a high inherent risk that cost estimates are inaccurate. • Fiscal projection is highly dependent on factors which can fluctuate from year to year, including: o electricity usage; o distributions costs; and o consumer consumption patterns that may change due to extreme weather or other factors. • Fiscal projection is subject to knowledge of future distribution costs and dependent on submission of cost of service applications by Hydro One and LDCs. o Enhanced RRRP may create disincentives from the eligible LDCs towards productivity and performance improvements and/or cause ineligible LDC's to drive up distribution costs to gain access to program.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the sensitivity and financial impact of potential changes in variables used in the forecasting models.

From: Anna Strathy
To: Ronald Kwan
Subject: FW: Rate Mitigation Implementation Group - Thursday Aug 24th
Date: Tuesday, August 22, 2017 8:53:46 AM

Hi Ron,

My understanding is you plan to attend Thursdays rate mitigation implementation group meeting on Gadi's behalf, but just wanted to confirm.

Thanks,
Matt

From: Tekle, Jonathan (MOF) [mailto:Jonathan.Tekle@ontario.ca]
Sent: Monday, August 21, 2017 5:24 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Rate Mitigation Implementation Group - Thursday Aug 24th

Hi Matt,

Hope all is well!

Gadi typically attends the rate mitigation implementation group meetings – next meeting is at 8:30 am on Thursday.

Please let me know if Ron or anyone else is attending in his absence.

Thanks,

Jonathan Tekle
Senior Policy Advisor, Deputy Minister's Office, Ministry of Finance
Frost Building South, 7th Floor
7 Queen's Park Crescent
Toronto, Ontario M7A 1Y7

Tel: 416-325-8736
Email: Jonathan.Tekle@ontario.ca

From:	John Kim
To:	Ronald Kwan
Cc:	Usman Zahid; Bruno Amara; Gavin He; Shajee Kathirgamanathan
Subject:	FW: Rate Mitigation Implementation Group
Date:	Thursday, January 11, 2018 11:08:34 AM

Hi Ron,

Some comments from Gavin on this. On #2, not sure what document this is so will leave it at that. And how did PILs exemption conclude was also a question.

Thanks,

John

From: Gavin He
Sent: Thursday, January 11, 2018 11:00 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Group

Hi John,

I don't have any major issues, but just a few comments:

1. On slide 6 of the technical briefing, given the transaction already closed, so not sure if there's a desire to use more accurate numbers. The total purchasing amount was $1.179B, so the equity injection from the Province is $518M, vs. $530M.
2. In the OFHP Matrix, in the Equity Injection row, it says that "Amendment to Articles Signed – Complete". I don't recall seeing this document, so just wondering if we should get a copy of this? Also, it seems that PILs exemption is no longer on the list, is that resolved already?

Regards,
Gavin He

From: John Kim
Sent: Thursday, January 11, 2018 10:18 AM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Group

Hi,

Pls. take a quick look and let me know if any major comments.

John

From: Ronald Kwan
Sent: Thursday, January 11, 2018 9:50 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Group

Hi,

Please review — the deck in particular.

Ron

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** January 10, 2018 at 6:06:32 PM EST
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "'jeffrey.lyash@opg.com'" <jeffrey.lyash@opg.com>, "HARTWICK Ken -FINANCE (ken.hartwick@opg.com)" <ken.hartwick@opg.com>, "Kim Marshall (Kim.Marshall@ieso.ca)" <Kim.Marshall@ieso.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, 'Michael Boll' <Michael.Boll@ieso.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, 'Dianne Hayes' <Dianne.Hayes@ieso.ca>, "ROWE Jennifer -CORPAFFAIRS" <jennifer.rowe@opg.com>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Tresise, Landon (ENERGY)" <Landon.Tresise@ontario.ca>, "Berry, James (ENERGY)" <James.Berry5@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Skoberne, Vivienne (TBS)" <Vivienne.Skoberne@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Manoharan, Kesayini (MEDG/MRIS)" <Kesayini.Manoharan@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Armstrong, Hillary (ENERGY)" <Hillary.Armstrong@ontario.ca>, "Laughton, Patrick

(TBS)" <Patrick.Laughton@ontario.ca>, "catriona.king@opg.com" <catriona.king@opg.com>, Jordan Penic <jordan.penic@ieso.ca>, 'David Barrett' <david.barrett@ieso.ca>

Subject: Rate Mitigation Implementation Group

Hi everyone,

Attached are the materials for tomorrow's meeting.

Thanks,
Martin

From: Gadi Mayman on behalf of Serge Imbrogno (ENERGY)

To: Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Keley Katona (ENERGY); Pau, Joseph (MEDG/MRIS); Murray, Maud (ENERGY)

Subject: FW: Rate Mitigation Implementation Group

-----Original Appointment-----
From: Imbrogno, Serge (ENERGY) [mailto:Serge.Imbrogno@ontario.ca]
Sent: Wednesday, September 27, 2017 1:37 PM
To: Imbrogno, Serge (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Keley Katona (ENERGY); Pau, Joseph (MEDG/MRIS); Murray, Maud (ENERGY)
Subject: Rate Mitigation Implementation Group
When: Wednesday, November 01, 2017 8:00 AM-9:00 AM (UTC-05:00) Eastern Time (US & Canada).
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From: Gadi Mayman on behalf of Serge Imbrogno (ENERGY)

To: Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Keley Katona (ENERGY); Joseph Pau (MEDTE/MRI); Murray, Maud (ENERGY)

Subject: FW: Rate Mitigation Implementation Group

-----Original Appointment-----
From: Imbrogno, Serge (ENERGY) [mailto:Serge.Imbrogno@ontario.ca]
Sent: Wednesday, September 27, 2017 1:35 PM
To: Imbrogno, Serge (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com <mailto:catriona.king@opg.com> ; HARTWICK Ken -FINANCE (ken.hartwick@opg.com <mailto:ken.hartwick@opg.com>); Kim Marshall (Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca>); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> ; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Keley Katona (ENERGY); Joseph Pau (MEDTE/MRI); Murray, Maud (ENERGY)
Subject: Rate Mitigation Implementation Group
When: Thursday, October 12, 2017 8:30 AM-9:30 AM (UTC-05:00) Eastern Time (US & Canada).
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From: Gadi Mayman on behalf of Serge Imbrogno (ENERGY)

To: Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Keley Katona (ENERGY); Joseph Pau (MEDTE/MRI)

Subject: FW: Rate Mitigation Implementation Group

-----Original Appointment-----
From: Imbrogno, Serge (ENERGY) [mailto:Serge.Imbrogno@ontario.ca]
Sent: Thursday, August 31, 2017 2:53 PM
To: Imbrogno, Serge (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Keley Katona (ENERGY); Joseph Pau (MEDTE/MRI)
Subject: Rate Mitigation Implementation Group
When: Thursday, September 14, 2017 8:00 AM-9:00 AM (UTC-05:00) Eastern Time (US & Canada).
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From: Anna Strathy on behalf of Serge Imbrogno (ENERGY)

To: Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Betty Wilson (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo - CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)

Subject: FW: Rate Mitigation Implementation Group

-----Original Appointment-----
From: Imbrogno, Serge (ENERGY) [mailto:Serge.Imbrogno@ontario.ca]
Sent: Friday, August 04, 2017 9:49 AM
To: Imbrogno, Serge (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Betty Wilson (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo - CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Group
When: Thursday, August 24, 2017 8:30 AM-9:30 AM (UTC-05:00) Eastern Time (US & Canada).
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From:	Ronald Kwan on behalf of Serge Imbrogno (ENERGY)
To:	John Kim; Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Reid, Michael (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
Subject:	FW: Rate Mitigation Implementation Group

-----Original Appointment-----
From: Serge Imbrogno (ENERGY)
Sent: August-04-17 15:08
To: Serge Imbrogno (ENERGY); Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Reid, Michael (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
Subject: Fw: Rate Mitigation Implementation Group
When: August-31-17 09:00-10:00 (UTC-05:00) Eastern Time (US & Canada).
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca <mailto:Serge.Imbrogno@ontario.ca> >
Sent: Friday, August 4, 2017 8:49 AM
To: Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Reid, Michael (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com <mailto:catriona.king@opg.com> ; HARTWICK Ken -FINANCE (ken.hartwick@opg.com <mailto:ken.hartwick@opg.com>); Kim Marshall (Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca>); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> ; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com <mailto:JUDY.WILSON@blakes.com> ; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Group

From: Gadi Mayman on behalf of Serge Imbrogno (ENERGY)

To: Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); "Sarah Branco"; peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; "Rosemarie Leclair"; "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); "Martine Band"; "ceiran.bishop@oeb.ca"

Subject: FW: Rate Mitigation Implementation Group

-----Original Appointment-----
From: Imbrogno, Serge (ENERGY) [mailto:Serge.Imbrogno@ontario.ca]
Sent: Tuesday, July 25, 2017 12:50 PM
To: Imbrogno, Serge (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com <mailto:catriona.king@opg.com> ; HARTWICK Ken - FINANCE (ken.hartwick@opg.com <mailto:ken.hartwick@opg.com>); Kim Marshall (Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca>); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca <mailto:maryanne.aldred@ontarioenergyboard.ca>); 'Sarah Branco'; peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> ; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo - CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com <mailto:JUDY.WILSON@blakes.com> ; 'Rosemarie Leclair'; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); 'Martine Band'; 'ceiran.bishop@oeb.ca'
Subject: Rate Mitigation Implementation Group
When: Thursday, August 10, 2017 8:30 AM-9:30 AM (UTC-05:00) Eastern Time (US & Canada).
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From:	Gadi Mayman on behalf of Serge Imbrogno (ENERGY)
To:	Ronald Kwan; Keley Katona (ENERGY); Francesca Bungaro-Yemec (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Erin Thompson (ENERGY); Michael Reid (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); "Sarah Branco"; Campbell, Bruce (bruce.campbell@ieso.ca); Turnevicius, Lorraine; Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); Montgomery, Kaitlin (MOF); Gadi Mayman; Matt Whittington (ENERGY); Martin Schlaepfer (MOF)
Cc:	Sunita Chander (ENERGY); Veinot, Cindy (TBS); Karen Hughes (MGS); CROZZOLI Carlo -CBUSDEV&STRT; Colleen Waddell (ENERGY); Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Paul Johnson (ENERGY); JUDY.WILSON@blakes.com; "Rosemarie Leclair"; "LEE John -TREASURY"; "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Moore, Karen (CAB); Hindmarch-Watson, Tim (CAB); Martine Band
Subject:	FW: Rate Mitigation Implementation Group

-----Original Appointment-----
From: Imbrogno, Serge (ENERGY) [mailto:Serge.Imbrogno@ontario.ca]
Sent: Wednesday, March 29, 2017 12:53 PM
To: Imbrogno, Serge (ENERGY); Keley Katona (ENERGY); Francesca Bungaro-Yemec (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Erin Thompson (ENERGY); Michael Reid (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); 'Sarah Branco'; Campbell, Bruce (bruce.campbell@ieso.ca); Turnevicius, Lorraine; Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); Montgomery, Kaitlin (MOF); Gadi Mayman; Matt Whittington (ENERGY); Martin Schlaepfer (MOF)
Cc: Sunita Chander (ENERGY); Veinot, Cindy (TBS); Karen Hughes (MGS); CROZZOLI Carlo -CBUSDEV&STRT; Colleen Waddell (ENERGY); Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Paul Johnson (ENERGY); JUDY.WILSON@blakes.com; 'Rosemarie Leclair'; 'LEE John -TREASURY'; 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Moore, Karen (CAB); Hindmarch-Watson, Tim (CAB); Martine Band
Subject: Rate Mitigation Implementation Group
When: Thursday, June 01, 2017 8:30 AM-9:30 AM (UTC-05:00) Eastern Time (US & Canada).
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From:	Gadi Mayman
To:	Ronald Kwan; Mike Manning; Ken Kandeepan
Cc:	Usman Zahid; Anna Strathy
Subject:	FW: Rate Mitigation Implementation Group
Date:	Thursday, January 11, 2018 3:41:11 PM
Attachments:	Action Items Jan 11.docx

FYI

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Thursday, January 11, 2018 3:10 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; 'jeffrey.lyash@opg.com' <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; 'peter.gregg@ieso.ca' <peter.gregg@ieso.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; 'LEE John - TREASURY' <john.s.lee@opg.com>; 'Michael Boll' <Michael.Boll@ieso.ca>; Murray, Maud (ENERGY/MEDG/MRIS/MOI) <Maud.Murray3@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; 'Dianne Hayes' <Dianne.Hayes@ieso.ca>; ROWE Jennifer -CORPAFFAIRS <jennifer.rowe@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Tresise, Landon (ENERGY) <Landon.Tresise@ontario.ca>; Berry, James (ENERGY) <James.Berry5@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Vivienne Skoberne (MOHLTC) <Vivienne.Skoberne@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Manoharan, Kesayini (MEDG/MRIS) <Kesayini.Manoharan@ontario.ca>; Yordi, Samer (ENERGY) <Samer.Yordi@ontario.ca>; Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Hillary Armstrong (ENERGY) <Hillary.Armstrong@ontario.ca>; Patrick Laughton (MOF) <Patrick.Laughton@ontario.ca>; catriona.king@opg.com; Jordan Penic <jordan.penic@ieso.ca>; 'David Barrett' <david.barrett@ieso.ca>
Subject: RE: Rate Mitigation Implementation Group

Hi everyone,

Attached are the action items from this morning's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: January 10, 2018 6:07 PM

To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; 'jeffrey.lyash@opg.com' <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; 'peter.gregg@ieso.ca' <peter.gregg@ieso.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>; 'LEE John - TREASURY' <john.s.lee@opg.com>; 'Michael Boll' <Michael.Boll@ieso.ca>; Murray, Maud (ENERGY/MEDG/MRIS/MOI) <Maud.Murray3@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; 'Dianne Hayes' <Dianne.Hayes@ieso.ca>; 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Tresise, Landon (ENERGY) <Landon.Tresise@ontario.ca>; Berry, James (ENERGY) <James.Berry5@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Skoberne, Vivienne (TBS) <Vivienne.Skoberne@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Manoharan, Kesayini (MEDG/MRIS) <Kesayini.Manoharan@ontario.ca>; Yordi, Samer (ENERGY) <Samer.Yordi@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Armstrong, Hillary (ENERGY) <Hillary.Armstrong@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; catriona.king@opg.com; Jordan Penic <jordan.penic@ieso.ca>; 'David Barrett' <david.barrett@ieso.ca>
Subject: Rate Mitigation Implementation Group

Hi everyone,

Attached are the materials for tomorrow's meeting.

Thanks,
Martin

Action Items
January 11, 2017

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
        - ENERGY to provide consolidated comments to OPG on the reference documentation
        - OPG expected to launch its marketing activities on January 22nd (i.e., by disclosing documents used in the marketing road show) and start its cross Canada road show on the 29th (i.e., Montreal / Toronto / Winnepeg / Vancouver)
        - Pricing would happen on Febuary 5th or 6th
        - Transaction would close the week of Febuary 12th
    - OPG's Market Activities – Rollout (All)
        - MO to confirm with PO on whether to do a technical briefing
        - OPG would aim to do technical briefing the week of February 12th (after the transaction close)
        - OPG to develop Fact Sheet / News Release
        - OPG / Ministry to develop QAs
        - OPG / Mnistry to revise technical briefing deck

2) Public Accounts (All)
    - Responses to recommendations due back to TBS on January 19th and the committee on February 14th

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - OESP tracking to the January 23rd LRC
        - RRRP and RNDC implemented
    - Affordability Fund (CRED)
        - Trustees meeting scheduled for January 12th

From:	Gavin He
To:	John Kim; Bruno Amara
Cc:	Ronald Kwan
Subject:	FW: Rate Mitigation Implementation Meeting - April 25, 2017
Date:	Monday, April 24, 2017 6:30:26 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_April 25.docx Consolidated - OFHP Matrix - Week of April 24.docx

Hi John/Bruno,

FYI.

Regards,
Gavin He

From: Gadi Mayman
Sent: Monday, April 24, 2017 5:02 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - April 25, 2017

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Monday, April 24, 2017 5:02 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>;

catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Martin Schlaepfer (MOF) <Martin.Schlaepfer@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 25, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)
    - ICI (ESPD)

3) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 24, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation / Regulations • Ministry has retained Navigant to prepare a report on long lived assets and associated assessment of value, Ministry to work with OPG to ensure alignment with OPG internal report for its Board • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; o OPG working with the Ministries of Energy and Finance on equity injection mechanics, approvals and valuation approach; and o Ministry of Finance and Energy are working with TD on a non-disclosure agreement <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market – IESO/OPG to work together on outstanding issues	• AG briefing on April 19, 2017 (TBD) • April 28, pens down on Legislation • KPMG and E&Y opinions to be provided by May 1 • OPG Board to meet on May 1 for approval (Note: Sub-Committee meetings will occur in advance) • Approval dates: o TB on May 9 2017; and o LRC/Cabinet on May 10, 2017 • Legislation introduced May 11, 2017: o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	regarding OPG cash flows • MOF (IGS) to work through equity injection mechanics and report back next week • OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder letter in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member • OPG provided draft letter to OPG Board sub-committee on April 7, 2017 and provided to Ministry for comment. April 13, 2017, Minister of Energy sent letter to the OPG Chair • OPG to develop note on rationale for 51/49 capital structure of the Trust • OPG to confirm proposed tax status of the Special Purpose Vehicle (SPV) • OPG / OFA to comment / report on overall structure and financibility for TB report back • OPG to draft terms of guarantee to dealers (which will be presented to dealers) **IESO:** • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to discuss LDC issues with OEB • IESO to work with KPMG on IESO recovery mechanism **OEB:** • OEB working to finalize RPP rates and release by April 20 **Legislative Drafting:** • LSB / Blakes / OPG / IESO / OEB / Key Ministries will continue to	

Item	Key Deliverables / Considerations	Timing / Next Steps
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2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each • Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and	• April 28, pens down on Legislation • Report back to TB/MBC on May 9, 2017 (TBD) • Implementation of expanded program and reduction in RRRP charge is targeted for July 1 2017

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	Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • Legislation to include provision to allow for sharing of data between MCSS and OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • OEB decision this week on removing OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes <u>Considerations</u> • Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise. • Positive progress with OEB on implementation: o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts; o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100 million) to reduce current OESP charge to zero and continue funding	• April 28, pens down on Legislation • Report back to TB/MBC on May 9, 2017 (TBD) • Enhanced benefits and removal of OESP charge will take effect in May 2017

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• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • On-reserve eligibility considerations require discussion with Chiefs of Ontario • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• April 28, pens down on Legislation • Ministry to meet with COO on April 26 regarding FN Rate implementation • Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Introduction of FNDC program targeting July 1 2017
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust (“Trust Deed”) • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust)	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017;

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• ENERGY, LSB, IESO and LDCs	Recent Action Items • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) Considerations • Ongoing outreach with LDCs being undertaken by IESO.	• Report back to TB/MBC on May 9, 2017 • Effective April 2017

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• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
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10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • March 31, 2017: Ministry submitted responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP Recent Action Items • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• Preliminary discussion on April 19, 2017 (TBD)

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12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall) • Ministry to develop deck on bill presentment with high level slides on legislation	• Initial discussion on March 31, 2017

From:	Gadi Mayman
To:	Ken Kandeepan; Mike Manning; Ronald Kwan
Cc:	Gavin He; Anna Strathy
Subject:	FW: Rate Mitigation Implementation Meeting - April 25, 2017
Date:	Monday, April 24, 2017 5:02:03 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_April 25.docx Consolidated - OFHP Matrix - Week of April 24.docx

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From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Monday, April 24, 2017 5:02 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Martin Schlaepfer (MOF) <Martin.Schlaepfer@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 25, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)
    - ICI (ESPD)

3) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 24, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation / Regulations • Ministry has retained Navigant to prepare a report on long lived assets and associated assessment of value, Ministry to work with OPG to ensure alignment with OPG internal report for its Board • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; o OPG working with the Ministries of Energy and Finance on equity injection mechanics, approvals and valuation approach; and o Ministry of Finance and Energy are working with TD on a non-disclosure agreement <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market – IESO/OPG to work together on outstanding issues	• AG briefing on April 19, 2017 (TBD) • April 28, pens down on Legislation • KPMG and E&Y opinions to be provided by May 1 • OPG Board to meet on May 1 for approval (Note: Sub-Committee meetings will occur in advance) • Approval dates: o TB on May 9 2017; and o LRC/Cabinet on May 10, 2017 • Legislation introduced May 11, 2017: o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

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From:	Anna Strathy
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Gavin He
Subject:	FW: Rate Mitigation Implementation Meeting - April 20, 2017
Date:	Thursday, April 20, 2017 2:22:50 PM
Attachments:	the-economic-cost-of-electricity-generation-in-ontario-april-2017.pdf

Gadi wanted to flag a few items raised at the Rate Mitigation meeting this morning, summarized in Scott's email below. Please see highlighting and my notes in red text.

Anna

From: Gadi Mayman
Sent: Thursday, April 20, 2017 1:40 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 20, 2017

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, April 20, 2017 11:51 AM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: Rate Mitigation Implementation Meeting - April 20, 2017

Hi Dave,

Here is my next installment of Thursday OFHP. Note that I have attached a report from IVEY, referenced later in the document.

- AG discussion (Yesterday):
  - ENE Lead, walked through the March technical briefing presentation
  - TBS DM suggested that this was the first of several meetings and considers this to be a high level, first pass
    - Lots of moving pieces where the Province does not yet have clarity
    - Will take back questions and will respond once it has more certainty on structure
  - The AG and staff had the following questions:
    - Legislative precedent of shifting ratebase to tax base, and can the tax base support these additional charges?
    - Why use trust mechanism for Affordability Fund, and should the Trust be consolidated?
    - Seeking more details on the accounting for the OFHP and wanted reports to justify what is set out in the Budget
    - Also seeking independent studies to back up 30 year contracts (ENE referenced Ivey report)?

        - Asking about mechanics of the OPG Trust, OEFC lending etc.?
        - What was used to brief the FAO?
- Legal Update
    - Timing Update
        - Pens down now on the 28th
        - May 9th TB
        - May 10th Cab
        - May 11th introduction
    - Latest large legal discussion took place on Monday
        - This was the first run through of legislation draft (up to that point discussions focused on turns of instructions to leg. counsel)
    - Current Status
        - Turning a new draft today
        - Trying to find balance and working through all the wording from various parties (some of which is inconsistent)
        - Received very detailed feedback from OPG / Torys and others
        - In all-night drafting stages
        - Trying to balance stakeholder consultation time and drafting time
    - Tension between enabling the transaction in legislation and embedding the transaction in legislation – Gadi noted that the strong preference at the meeting was for the legislation to enable the transaction (while the bankers would prefer to embed the transaction in the legislation).
        - Determining how many questions need to be answered now and what can be pushed to regulation / commercial agreements
        - Legislation will include indications to regulations, but will not have all filled in
        - Difficult because American examples embed transaction in legislation
    - At least one more turn of legislation
        - If comments quickly, may be able to turn more than once
        - Seeking comments by no later than Sunday
    - Business Issues
        - Guarantees
            - General powers to be enabled in legislation and details will flow in regulations / commercial arrangements
            - MoF / TBS suggests Minister of Finance should have power to provide guarantees under FAA – rather than a guarantee provided by the Minister of Energy, as the legislation currently sets out.
            - First ask from dealers included several elements that would likely not be palatable to the Province
                - For example, a make-whole penalty which creates a very expensive break fee – Gadi stated strong opposition to the make-whole penalty; with support from Ministry of Energy and OPG
            - OPG and OFA to develop a set of proposed guarantees, rather than negotiating with dealers
        - OPG requires cash flows immediately (interest payments starting on Day 1)
            - Need to meet this objective while meeting the Province's commitment to

reduce rates by 25% and maintain increases at inflation for next 4 years
        - Without these payments there would be an adverse effect on credit metrics, and earnings (fiscal)
        - Response:
            - IESO will pay interest costs to OPG Trust on an ongoing basis, funded through its line of credit, resulting in a larger deferral
            - OPG Trust would then purchase the deferral from IESO (consistent with mechanism already being contemplated)
            - Need to determine accounting impact to IESO, KPMG's preliminary view is that this will work
    - Should Province / OPG be targeting AAA rating and what is the impact of Provincial guarantees?
        - Interaction with required Provincial guarantees
            - Fed example of Muskrat Falls, no make-whole, convert to Canada bonds, still trades 80 bps back from Canada
        - Regardless of rating, will trade back from Ontario
        - S&P tends to focus on back-stop more so than Moody's, DBRS, so may have a split rating
            - S&P more focus for US investors so may not be as relevant if Canadian focus initially
        - AAA rating helps for securitizations and important to aim as high as possible given unique structure (needed in order to attract those investors
        - Important target, but need to avoid setting up potential expense of $100s of millions in break fees
  - Approvals for equity injections
        - Need to have appropriation approvals in TB sub
        - Focus on an annual approvals process, followed by a streamlined monthly flow of funds
        - EIGS (me) to work through this with OFA, OPG and TBS and report back
  - Con Law issue
        - Navigant engaged by ENE and working through an analysis of the underlying life of assets
        - Lawyers working on reverse engineering legislation to ensure it is constitutionally sound

- OPG Update
        - Special Board committee yesterday to briefing on status of legislation
        - Formal approval May 5th from Board
        - Accounting letters now working through process (E&Y letterhead, they are in agreement)
        - Credit Rating process
            - Will approach rating agencies post-regulations, with a framework for commercial agreements
            - OPG anticipates ~1 month to receive preliminary view from rating agency
            - And a few additional weeks to finalize

Final rating will come once contractual arrangements are in place
- OPG working with IESO on operations and framework of how the purchase and sale agreement will work
  - Iterative process starting now
  - Will need to move as legislation / regulation develops

- IESO Update
  - Discussions with OFA on enhanced LoC underway
  - Accounting opinion in development
    - Main focus on risk to IESO in event OPG in future does not purchase the asset (need recoverability from ratepayers without taking away from rights of the Trust); dealers do not want to keep layering on additional charges to ratepayers
      - Ok if Province owns separate cash flow, but not so comfortable if IESO then sells to a separate financing entity (worried about prioritization)
      - Can the Province backstop without a fiscal hit on the entire transaction structure
  - IESO IT Audit
    - May be looking into Market Surveillance Panel functions
    - Meeting Tuesday afternoon with AG on the OFHP (plan to state this is still in process)

- OEB
  - Today the RPP for May will be announced
    - Taking into account all elements of the Fair Hydro Plan that seemed prudent to include
    - OEB seemed to suggest 50% now and remaining 50% dependent on legislation implemented so anticipate a further change to rates on July 1
  - Need more details on OEB's anticipated role in setting up regulatory assets

Social Programs
- RRRP
  - Meeting of LDCs earlier in the week (43 attended)
  - ENE provided update on activities underway
  - Re-enforced need for updates to systems by July 1, and LDCs were receptive
  - Discussed bill presentment and LDCs were comforted that only limited changes needed now, more extensive changes in the fall
- OESP
  - Working through legislative changes in support of this initiative
  - MCSS and ENE working to get to automatic enrollment, and appear to have a path
  - Discussions with CRA underway, received message that this is a priority to remove wet signature requirement
- FN rate
  - ENE sitting down next week (Wed) to discuss operationalizing credit with COO
- Affordability Fund
  - Advisory committee met on Tuesday

- Consensus on selection of Trust representatives
  - Hydro One, Alectra, Thunder Bay Hydro
  - Ottawa-Carleton United Way, Advocacy Centre for Tenants of Ontario
- Will follow up on specific representatives from those organizations
- Given AG questions, important to move on this as quickly as possible

ICI

- Shifted beyond approvals
- Working with OCE and CME on outreach campaigns
  - Asked to participate in next AGM of OCE to provide overview of ICI
- Also coordinating with LDCs to advise them of changes

Other Updates

- TB May 9th
  - Will include social programs
  - GA smoothing legislation
  - Appropriation approval for equity injection
- IVEY Energy Centre released a report that walked through the merits of GA Smoothing (attached)
- Will re-schedule the next meeting for Tuesday, recognizing budget release date is next Thursday

IVEY Business School
WESTERN UNIVERSITY · CANADA
Energy Policy and Management Centre

Policy Brief
April 2017

The Economic Cost of Electricity Generation in Ontario

EXECUTIVE SUMMARY

- The overall cost of electricity generation, which accounts for almost two-thirds of Ontario's total system costs, has increased significantly since 2005 mainly due to a substitution away from coal generation towards more costly renewable sources, and a parallel increase in the total amount of installed capacity in the province, notably due to an expansion in the amount of natural gas capacity.
- The unit cost of electricity generation is approximated by the sum of the wholesale market price and the Global Adjustment. Wholesale market prices reflect, in part, short-run variable costs, but often fall short of the total cost of producing electricity, which includes significant fixed capital costs. The Global Adjustment is a mechanism that, in conjunction with the wholesale hourly market price, ensures recovery of variable and fixed generation costs. As such, the Global Adjustment is not an overpayment but a component of the full economic cost of generating electricity.
- Recent increases in consumers' electricity bills have been driven in part by the rapid expansion of generation capacity in the province, much of which has been financed under 20 year contracts with private firms. Current rates and electricity bills could be reduced by amortizing contracted generation capital costs over longer periods to match the productive lifespans of the assets, often longer than the contracted terms. The cost of generation charged on consumer bills would then more closely reflect the economic cost of the assets. A policy of smoothing generation costs through government subsidies in the short-term would incur interest charges and would lead to higher bills in the long-term.

INTRODUCTION

This report brings an economic perspective to the analysis of electricity generation costs and prices in Ontario. Generation accounts for approximately two-thirds of Ontario's total electricity system costs, making consumers' electricity bills particularly sensitive to changes in generation policies and the cost of ensuring that sufficient generation capacity is available to meet demand. In Ontario, the wholesale price of electricity generation has declined since 2006, yet regulated rates for household consumers have almost doubled, creating confusion over the reasons why bills have increased. While a comprehensive analysis of electricity system costs and consumer bills is outside the scope, this report provides an economic cost analysis of the generation component of electricity bills, which can reconcile these seemingly contradictory trends. An important insight, which comes from the experiences

of jurisdictions that have deregulated their power generation sectors, is that wholesale generation markets are often distorted by the effects of administrative restrictions on market operations and by parallel long-term contracting policies, undermining the signals that market prices would otherwise provide for efficient generation production, investment, and consumption decisions. In such markets, wholesale market prices are shaped in part by strategic bidding behaviour of generators, and need not accurately reflect underlying average or marginal costs of generation. Consequently, a complete account of the cost of generation, and its pricing, requires a broad analysis that incorporates a range of generation sector policies.

WHOLESALE ELECTRICITY MARKETS AND INVESTMENT IN GENERATION CAPACITY

In competitive markets with many buyers and sellers, homogenous products and firms, and unrestricted exit and entry, market prices send crucial signals to firms and consumers, and help balance demand with supply. Importantly, these conditions create a close relationship between prices and costs since competitive pressures push prices to the marginal cost of production. External shocks to demand or supply that shift prices will cause firms to enter or exit the market, moving prices to long-run average cost levels over time. For example, an increase in demand that increases prices will encourage new firms to enter the market, subsequently exerting downward pressure on prices. In the long-run, market prices enable firms to recover both fixed and variable costs, and to earn a normal rate of return on capital invested. Hence, in competitive markets, prices are an indicator of the long-run cost of producing goods and services.

Wholesale electricity generation markets, however, generally do not conform to the ideal of an unfettered competitive market (Borenstein, 2016). The distinctive characteristics of electricity markets are many and well known. Electricity is not storable in large quantities so production must match extant demand. Renewable power sources are intermittent, necessitating complementary investment in dispatchable generation capacity that may have low utilization rates. Transmission and distribution are subject to congestion, creating conditions for oligopoly or even monopoly pricing. Demand is highly price-inelastic in the short-term for many consumers, implying consumers are willing to pay high prices for electricity. Variable costs of production are small relative to high fixed costs, especially for renewable power sources, meaning variable costs can be significantly lower than average costs. Renewable power, which governments have encouraged for environmental reasons, often has higher average unit costs than fossil fuels, often requiring additional policy instruments to support private investment. Entry by new generators is highly regulated, and it can take many years for permitting and construction to be completed, leading to extended periods of under- or over-supply of capacity. Under such conditions, wholesale electricity market prices can diverge from average costs for long durations, creating an uncertain investment environment for generators. Two risks are particularly germane:

First, small shocks to demand or supply can lead to rapid escalation in wholesale market prices given short-run price-inelasticity of demand and supply. For instance, in Ontario during September 2002, even though the average price over the month was $83/MWh, it peaked at $1028/MWh, more than twelve times the average. Price spikes reflect scarcity and are a feature, not a flaw, of a well-functioning market. However, dramatic price spikes often create consumer pressure on governments to intervene and reduce volatility by implementing caps. In Alberta, the government capped wholesale market prices at $1000/MWh (Brown and Olmstead, forthcoming). Ontario's maximum wholesale market price is set at $2000/MWh.

One consequence of such intervention is that it can create a "missing money problem" for generators. As one electricity market expert noted, "The missing money problem arises when occasional market price increases are limited by administrative actions such as price caps. By preventing prices from reaching high levels during times of relative scarcity, these administrative actions reduce the payments that could be applied towards the fixed operating costs of existing generation plants and the investment costs of new plants" (Hogan, 2005, pg.1). By limiting the opportunities for generators to recover fixed costs, price caps can act as a disincentive for generators to invest in new capacity.

A second risk for generators is that if markets develop excess generation capacity, wholesale prices will be pushed down towards variable costs, preventing generators from recovering fixed investment costs, which can be large given the capital-intensive nature of electricity production (Borenstein, 2002). Anticipating that future market conditions could change, generators may be unwilling to invest in new capacity—even if current levels are not fully sufficient to meet demand—when costs can only be recouped through wholesale market revenues. Such risks are magnified in institutional environments where government entities can rapidly implement sweeping regulation or policy changes, as in parliamentary systems with majority party control.

For these and other reasons, wholesale electricity market prices often do not send accurate signals to producers or consumers regarding efficient production and consumption behaviour, nor need they create the competitive incentives for generators to make sufficient long term investments in capacity for reliable supply within a jurisdiction, especially in generation technologies that have high average costs relative to variable costs (e.g. renewable fuels) or that have very long payback periods (e.g. nuclear power). This means that governments, even in deregulated markets, often rely on complementary policy mechanisms to enable generators to recover their fixed costs of electricity generation and to remain in the market. Long-run power purchase contracting, which effectively mimics average cost pricing, has been a common approach in many jurisdictions, as have been separate capacity markets (Biggar and Hesamzadeh, 2014). Invariably, however, additional policy instruments do not operate independently but have spillover effects on generator incentives, introducing further complexities and distortions in the operation of wholesale markets.

ONTARIO'S GENERATION SECTOR AND WHOLESALE MARKET

Background

Over the last half century, several structural shifts have fundamentally changed the nature and cost profile of Ontario's electricity generation sector. Major nuclear generating capacity was brought online during the 1960s to 1980s, transforming baseload generation in the province. Construction costs proved to be significantly greater than expected, however, leading to rate increases of more than 30% in the early 1990s, shortly followed by a rate-freeze imposed by a new (NDP) government in 1993 (Trebilcock and Hrab, 2005).[1]

The second structural change occurred in the late 1990s and early 2000s when the province, in concert with many other jurisdictions that were seeking greater electricity sector efficiencies, experimented with market deregulation and restructuring. In May 2002, the Progressive Conservative government launched a competitive wholesale

[1] The rate freeze remained in place until the Government launched the competitive retail market in 2002.

electricity market and a short-lived competitive retail market. Hot summer temperatures combined with a shortage of generation capacity triggered wholesale price spikes and rapid increases in consumer bills (Trebilcock and Hrab, 2005, pg. 126). Yielding to public pressure to reduce 'rate shock', the government quickly reversed course, closing the retail market in November 2002, implementing a rate freeze, and shelving plans for privatization and restructuring of state-owned generation assets. The government retained the wholesale market with the expectation that it would encourage private investment in new generation capacity.

The third structural shift began in the mid-2000s under a newly-elected Liberal government that sought to rebuild the supply portfolio to address a generation shortfall, and also to rebalance the supply mix, notably by reducing the share of coal generation while phasing in renewable sources such as wind and solar.[2] Since the private sector was reluctant to invest in merchant generation assets, the government created the Ontario Power Authority (OPA) in 2004 to enter into long-term power purchase contracts with generators, operating under the direction of the Minister of Energy. To expedite the government's policies and to avoid repeating the 2002 summer-time supply shortages, the government implemented a series of long-term contracting programs for specific types of generation technologies, including through competitive procurements, standard offer or feed-in tariff programs, and bilateral negotiations with private generators. Under each of these mechanisms the government guaranteed to buy power at a fixed unit rate over a specified time period, commonly 20 years.[3]

Since 2005, the OPA (now the IESO) has contracted for approximately 6,000 MW of wind capacity and more than 2,600 MW of solar capacity (IESO, 2016a). In total, the IESO has contracted for more than 27,000MW of energy. Ontario Power Generation (OPG) controls significant additional nuclear and hydroelectric capacity whose rates are regulated by the Ontario Energy Board.

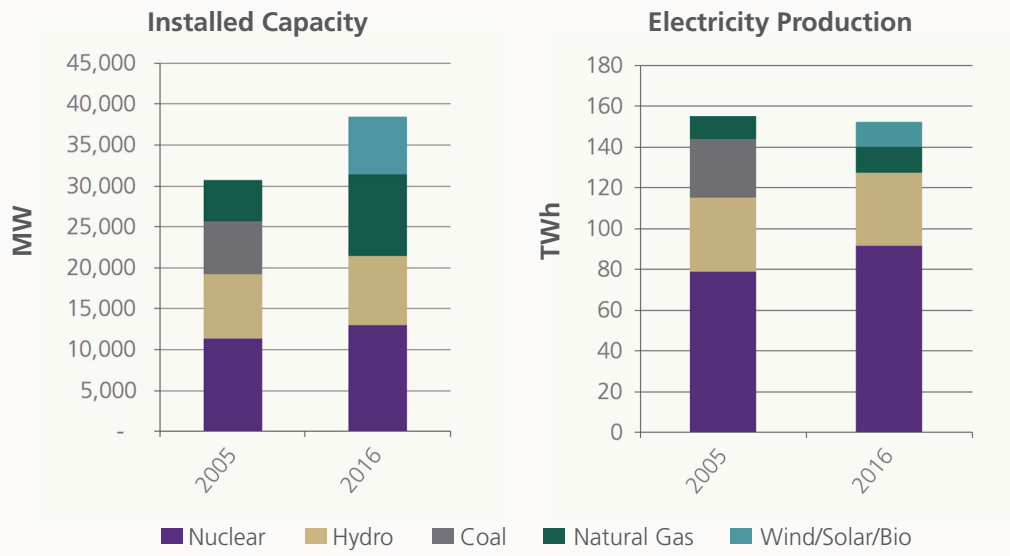
Figure 1 shows how the province's generation profile, including both contracted and regulated components, has changed over the eleven year period since 2005. Overall, the province expanded its installed generation capacity by a net 8,000 MW, increasing to a total of approximately 38,500 MW in 2016. Nuclear power has remained the single largest component, accounting for 11,400 MW in 2005 (37% of total capacity), increasing to 13,000 MW in 2016 (34%). Hydroelectricity was the second largest component in 2005 at 7,900 MW (26%), and has increased marginally to 8,500 MW in 2016 (22%). The most significant changes have been in renewable and natural gas generation. Wind, solar and bio-energy power sources added 7,100 MW over the eleven year period, and accounted for 18% of total installed capacity in Ontario in 2016. Natural gas installed capacity doubled between 2005 and 2016 (adding approximately 5,000 MW), increasing its share from 16% to 26%. Coal, which accounted for 21% of capacity in 2005, was eliminated from the supply mix by April 2014.

In terms of electricity production, overall power output in the province decreased marginally from 155 TWh in 2005 to 152 TWh in 2016. Nuclear accounted for the majority of output (92 TWh, 60% of overall output in 2016), and has increased both the absolute amount and its share of output since 2005. Hydroelectric power generation has remained steady at 36 TWh, and is the second largest component of overall output (23% in 2005 and 2016). Wind, solar and bio-energy accounted for approximately 8% of power output in 2016 (12 TWh). Natural gas output increased marginally between 2005 and 2016, despite the doubling of capacity, and accounted for about 8% of total output in 2016.

[2] Electricity Conservation and Supply Task Force, Final Report to the Minister, January 2004

[3] Contracts for natural gas generation were more complex and included clauses for fixed monthly payments.

Figure 1: Installed Capacity and Electricity Production by Fuel Type, 2005 and 2016



Source: IESO Supply Mix data and Ontario Power Authority 2005 Supply Mix Advice.

Investment in new generation capacity since 2005 has been supported in large part by long-term contracts with private generators that specify a fixed purchase price for energy produced (e.g. $135/MWh for wind power under the FIT program), though they are structured as 'contracts for differences', which provide two related components of revenue for the generators. The first component consists of the prevailing wholesale market price for power, referred to as the 'Hourly Ontario Energy Price' (HOEP). Since wholesale prices may be less than the contracted rate, the second component is the difference between the agreed contract rate and the wholesale price, and is included in the 'Global Adjustment' generation charge. The Global Adjustment consists of the costs of payments to contracted generators, as well as the costs of conservation expenditures, and payments to regulated generators. It exists because, in general, market-based revenues are insufficient to cover the full costs of contracted or regulated generation. The combination of the Global Adjustment and the Hourly Ontario Energy Price effectively represents average cost pricing, enabling generators to recover their variable and fixed costs.

Wholesale Electricity Market

Ontario's wholesale electricity market operates as a mechanism for dispatching generation units in order to ensure a reliable and continuous supply of electricity. The wholesale market price—the HOEP—is determined by offers submitted in advance by generators that specify the amount of power they are willing to provide and the offer price. The HOEP is the hourly average of twelve five-minute market-clearing prices that balance supply and demand. The five-minute market-clearing price, and ultimately the HOEP, is based on the offer of the marginal generating unit, and all dispatched generators, regardless of their offer, receive market revenues at the market-clearing price. Generators that submit offers greater than the five-minute market-clearing price are not dispatched and do not receive wholesale market revenues.

Since 2005 there has been a declining trend in the hourly energy price on the wholesale market, as illustrated by

Figure 2. Contributing factors include falling natural gas prices, lower demand for electricity within the economy, and expansion of generation capacity with low to zero marginal costs such as wind, solar and hydro. In the eight year period 2009 to 2016, the hourly energy price averaged $28/MWh, significantly below the average total cost of virtually any type of generation technology. Such wholesale prices are insufficient by themselves to incent investment in new dispatchable generation capacity, for instance natural gas, which is needed to complement the growth of intermittent renewable generation.

The decline in Ontario's wholesale market price does not necessarily imply that the average cost of generation has also declined, nor is the wholesale price necessarily an indicator of the average generation cost at any point in time. Two explanations are germane: first, in generation markets with excess capacity, such as in Ontario, wholesale prices are largely determined by variable or marginal production costs, not by average costs which additionally reflect fixed capital costs. A significant presence of renewable resources, which have low variable costs, further drives a wedge between wholesale prices and average costs.

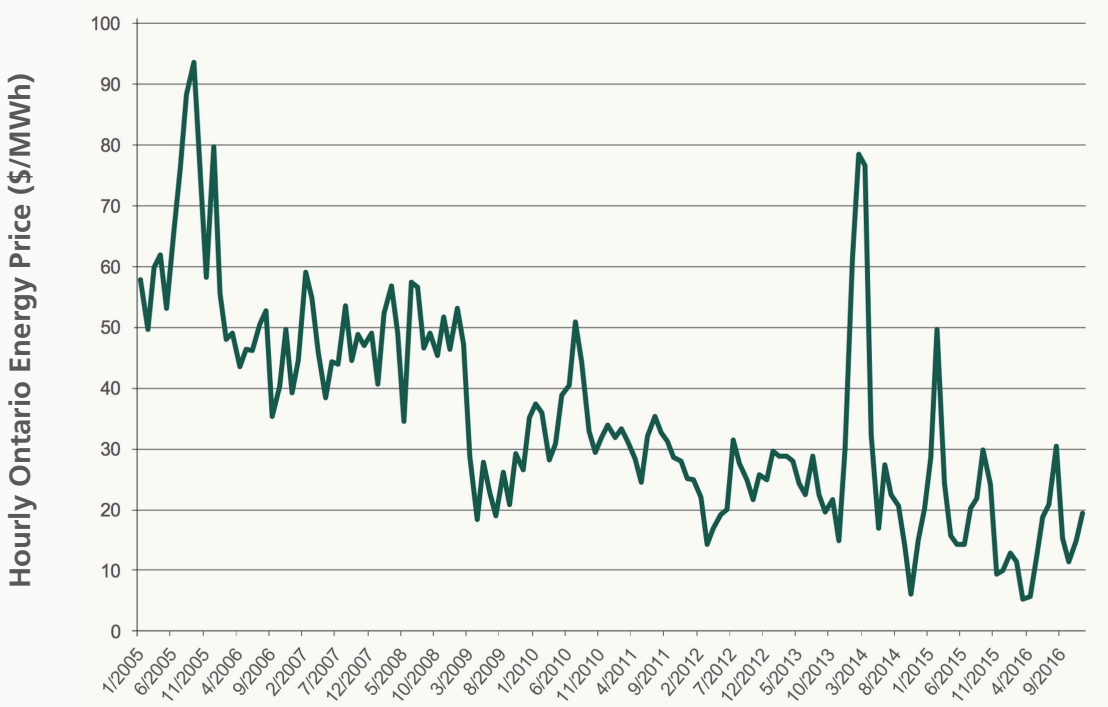
Second, strategic behaviour by generators can distort wholesale prices below even their marginal costs of production. For instance, before September 2013, renewable generators such as wind and solar were at times submitting offers to the market at prices equal to -$2000 per MWh. Notionally, an offer of -$2000 per MWh suggests that wind generators are willing to pay the operator $2000 per MWh dispatched, an unlikely proposition. In reality, wind generators knew that they were guaranteed to receive their contracted, fixed power purchase rate per MWh and wanted to ensure their power gained a favourable position in the merit order and was dispatched. Due to such strategic bidding behaviour by generators, between 2009 and 2014, the HOEP was negative for almost 2000 hours (equivalent to 83 days).[4] In response, in late 2013 the IESO established floor prices for transmission-connected wind and solar generation offers at -$10 per MWh for the first 90% of capacity (subsequently increased to -$3 per MWh) and -$15/MWh for the remaining 10% (Navigant, 2014b). Similarly, manoeuvrable nuclear generators have an offer floor of -$5 per MWh to limit strategic bidding. These examples illustrate that generators are not necessarily offering their production cost, but instead are adjusting their offers in accordance with the terms of their fixed price contracts.[5]

In this sense, generators' long-term purchase contracts can distort the wholesale market price since they reduce the incentives for generators to make offers in the wholesale market based on their cost of production. While the wholesale market price does not provide a perfect economic signal to producers and consumers, this does not imply that the wholesale market dispatch mechanism operates inefficiently over the short-term. Provided that the dispatch merit order is maintained, the five-minute market-clearing price still sends a reasonably accurate signal for short-term dispatch, and generally ensures that lower cost sources of electricity are dispatched before higher cost sources.

[4] Annual Report of the Office of the Auditor General of Ontario, 2015, page 216.

[5] In a slightly different context, Harvey (2013, pages 1-2) states that the hourly Ontario energy price "does not reflect the actual cost of meeting load … and therefore does not send an accurate signal for longer term decisions, such as the entry or exit of generation or of particular types of generation, for increases or decreases in power consumption, or for generators and dispatchable loads." Moreover, no entity in the province purchases electricity via the wholesale market (Alpin, 2017).

Figure 2: Hourly Ontario Energy Price



Source: IESO

THE COST OF GENERATION IN ONTARIO

The cost of contracted generation, which accounts for the majority of capacity in the province, is approximated by the sum of the wholesale market hourly spot price and the Global Adjustment amount, which acts as a full cost recovery mechanism (MacDougall, 2012).[6]

The formal description of the Global Adjustment is outlined in Ontario Regulation 429/04.[7] Officially, it is a payment variance that reconciles the difference between the earned revenues in the wholesale market and the rates established via contract. The relationship between the hourly Ontario energy price and the Global Adjustment may be characterized as a seesaw. When the hourly Ontario energy price goes up, the Global Adjustment goes down; and when the hourly Ontario energy price decreases, the Global Adjustment increases. This relationship is automatic and mechanical. Importantly, this seesaw relationship implies that neither the wholesale price nor the Global Adjustment by themselves provide an accurate 'market signal' to consumers or generators. Further, it is incorrect to interpret the Global Adjustment as an overpayment or 'above-market' payment for generation, as some commentators have claimed, since the wholesale price is not a true market price as would be observed in

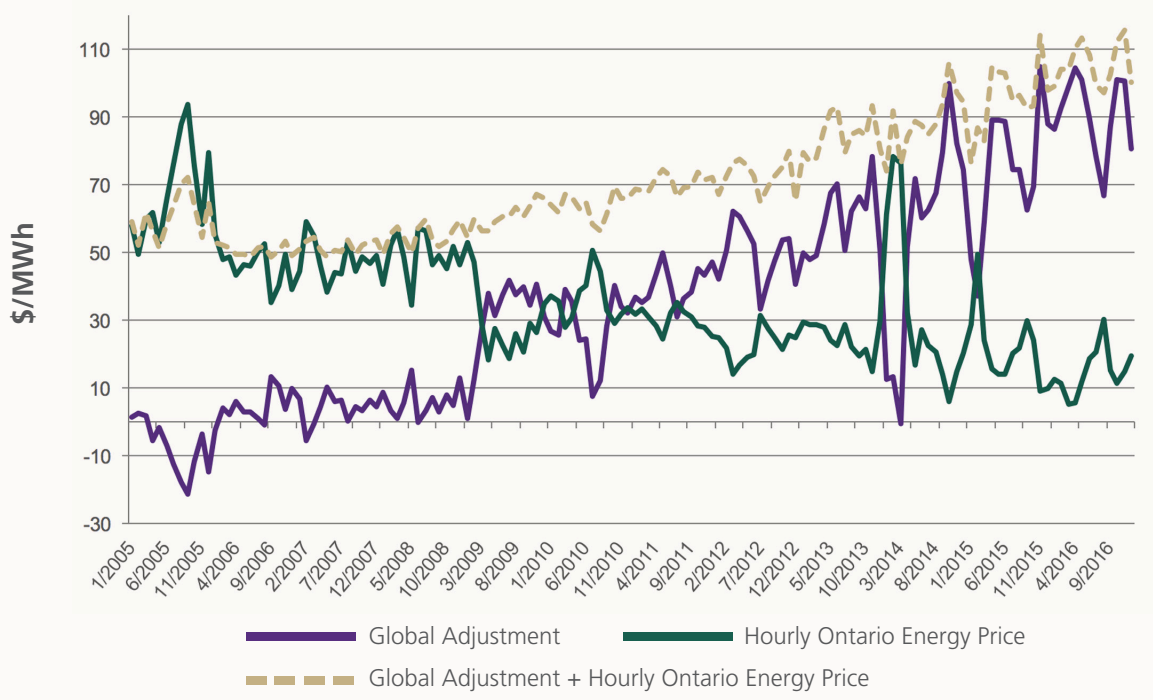
[6] Non-contracted generation includes Ontario Power Generation's nuclear and hydro electricity assets which have rates established through cost-of-service regulation.

[7] Section 1(1) of 429/04 precisely presents the calculation of the Global Adjustment.

normal competitive markets. The appropriate counterfactual for Ontario prices is less obvious than it might seem at first inspection and needs to be formulated as the inclusive price that covers both variable and fixed costs in the absence of policy intervention.

Figure 3 illustrates the hourly Ontario energy price and the unit Global Adjustment amount from 2005 to 2016. The hourly Ontario energy price is calculated as an hourly average of 5-minute dispatch prices, which are determined in the real-time market. The Global Adjustment is calculated monthly, and is based technically on the difference between the hourly Ontario energy price and (i) IESO's contracts with generators, (ii) contracted rates administered by the Ontario Electricity Financial Corporation, and (iii) OPG's regulated nuclear and hydro generation rates (IESO, 2016b). The seesaw or inverse relationship between the Global Adjustment and hourly wholesale energy price is immediately obvious in the Figure.[8] While the hourly price has steadily declined since 2005, albeit with natural monthly variation, the Global Adjustment has increased over the same period, mirroring monthly movements in the hourly price.

Figure 3: Hourly Ontario Energy Price and Global Adjustment, 2005–2016

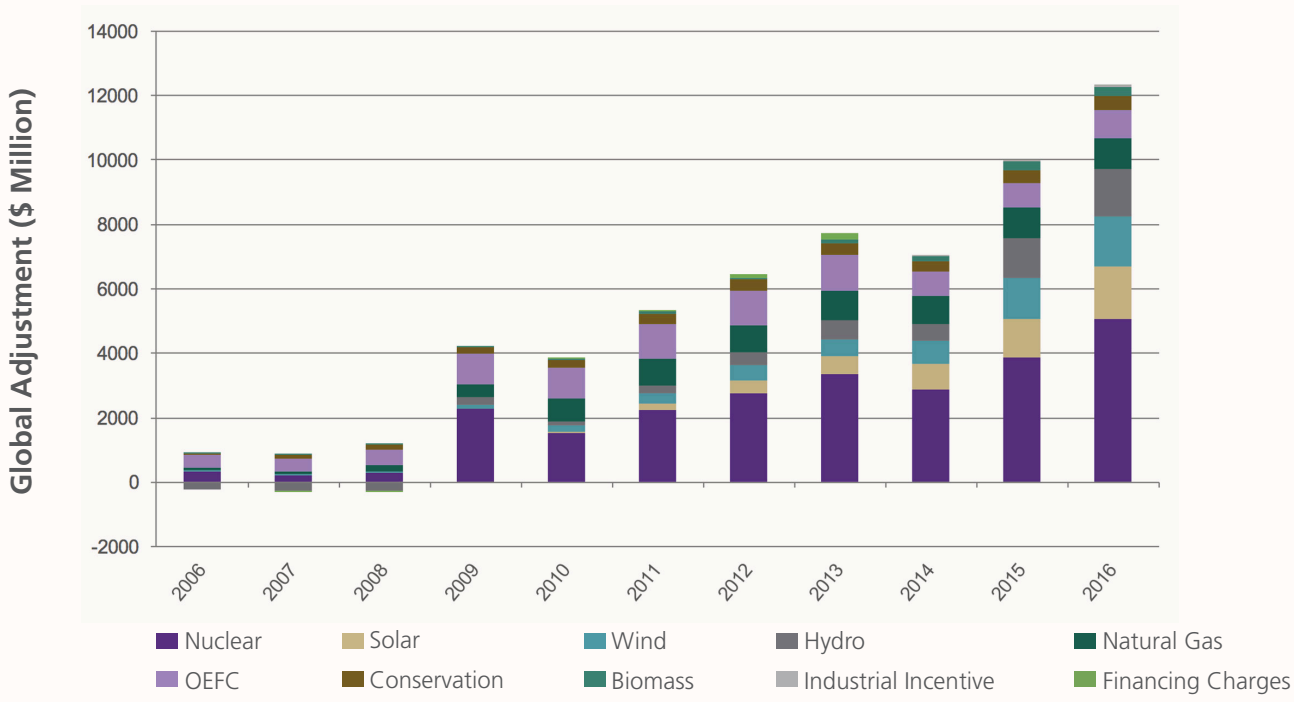


Source: IESO

[8] The relationship is not a perfect one-for-one because the Global Adjustment is a true payment variance and hence includes the costs of conservation programs and financing charges. Also because the Global Adjustment shows up in customers' biannual rate plans, the Global Adjustment, in conjunction with the hourly Ontario energy price, induces a small demand response.

Decomposing the Global Adjustment into its components provides some insight into the share of costs attributable to different generation fuels as shown in Figure 4. It does not provide an accurate picture of total generation costs by fuel type since it does not include costs recovered through wholesale market revenues, though these were a minor share in 2016. The overall Global Adjustment was $12.3 billion in 2016. Nuclear accounted for the single largest share of Global Adjustment costs at 41%. Solar and wind power each accounted for 13%, hydroelectric power for 12%, and natural gas for 8%. Other components summed to 13%.

Figure 4: Global Adjustment by Component, 2006–2016



Source: IESO

REASONS FOR GENERATION COST INCREASES

Rates paid for electricity in Ontario have increased despite a steadily decreasing wholesale market electricity price due to corresponding increases in the Global Adjustment as previously described. While a formal analysis of the sources of these rate increases is beyond the scope of this report, it is valuable to briefly review some of the underlying reasons for the increase in generation costs.

The average unit cost of generation (per MWh) is represented by the dashed line in Figure 3, the sum of the hourly wholesale price and Global Adjustment. From 2006 until 2009, the average cost was relatively stable, remaining between $50 and $60/MWh. Since 2009 there has been a continuous upward trend in the average cost of generation, reaching more than $110/MWh by late 2016. Several factors have contributed to this trend:

Phase out of low cost coal-fired generation. Between 2005 and 2014 Ontario gradually phased out all coal-fired plants, which provided 25% of power generation in the province at a relatively low unit cost (approximately $48/MWh). The coal fleet was reaching the end of its productive life, and new capital investment required to replace it would have increased system-wide costs of generation, and hence rates, regardless of the replacement type of generation fuel. For example, the refurbishment of Bruce Power nuclear units, which provide base load power, yields power at a contracted rate of $66/MWh. Offsetting higher costs, however, are health and environmental benefits from switching from coal to less emission-intensive fuel sources.

Increasing share of renewable fuels. The 2009 *Green Energy and Green Economy Act*, and initiatives such as the Renewable Energy Standard Offer program launched in 2006, have led to the development of a significant amount of wind, solar, hydroelectric, and bio-energy capacity, supported by fixed feed-in tariffs guaranteed for 20 years. Between 2005 and 2016, the province added approximately 7,100 MW of new wind, solar and bio-energy capacity, accounting for 18% of installed capacity in 2016. The rates paid for renewable power are greater than rates paid for nuclear and hydroelectric power which provide the bulk of electricity for the province, for instance ranging from $135/MWh for on-shore wind to $443/MWh for ground-mounted solar PV under the 2012 FIT pricing schedule. Power purchase prices for new solar capacity have since declined as technology costs have fallen steeply, but remain above levelized unit costs for natural gas and nuclear power. In addition to higher direct costs, the expansion of renewable generation capacity has required complementary investment in transmission and distribution sector upgrading, an indirect cost implication for the electricity system.

The Ontario Energy Board provides annual estimates of average generation costs by fuel type based on total payments to generators operating under all contract and regulation mechanisms. The OEB's 2016-17 estimates illustrate the higher average cost of wind, solar and bio-energy relative to nuclear and hydro (see Table 1). It is notable that the average cost of natural gas power is greater than wind and bio-energy power, despite low wholesale gas prices, which may be account for the low capacity utilization of natural gas generation assets.

Table 1: Average Costs of Generation per MWh by Fuel Type

Generation Fuel	Average Unit Cost ($/MWh)
Nuclear	66
Hydro	58
Natural Gas	173
Wind	140
Solar	480
Bio-Energy	131

Source: Ontario Energy Board Regulated Price Plan Report, November 2016 to October 2017. Hydro excludes NUGs and OPG non-prescribed generation. Gas includes Lennox, NUGs and OPG bio-energy facilities.

Overall growth in installed generation capacity. Expansion of the province's generation portfolio began in the early 2000s when the economy was growing robustly and when there were heightened concerns about supply outages, especially following the major regional blackout in Ontario and the north east U.S. in August 2003. In addition, given the shift towards renewable power generation, which is intermittent, the province needed to invest in complementary natural gas or other dispatchable capacity that could operate during periods when renewable power was not available. Ontario added 5,000 MW of natural gas capacity between 2005 and 2016, much of which provides peak and mid-peak power, to bolster system reliability and to satisfy regional needs. The overall amount of installed capacity in the province has increased significantly over the last decade. In 2016, installed capacity was approximately 38,500 MW – a 25% increase from 30,500 MW in 2005. While capacity has grown, however, overall annual domestic demand for grid power has declined, due to a combination of pricing

effects, weaker economic growth, enhanced conservation efforts, and expansion of distributed energy resources. According to IESO data, grid demand declined by 10% from 2006 to 2015, reflecting, in part, the impact of the 2008 Great Recession. Annual peak grid demand has also fallen sharply, from an all time high of 27,000 MW in August 2006 to 22,500 MW in 2015. While long-term forecasting of electricity demand is notoriously difficult, the province has invested in new generation capacity that has proved to be in excess of typical needs, contributing to higher system-wide costs and consumer bills.

SMOOTHING CONTRACTED GENERATION COSTS

The rapid pace of contracting for new generation capacity since 2005 has contributed to a corresponding escalation in consumers' electricity bills. Over the last decade, regulated electricity rates for residential consumers have almost doubled, creating a degree of 'rate shock' and leading to calls for generation market reform. While the government has taken some heat for rising bills, there is a potential policy solution that is economically rational and relatively simple to implement. The government could smooth the costs of contracted generation capacity—which account for more than half of electricity system costs—over a longer period of time than is currently planned, reducing consumer bills in the short to medium term in return for slightly higher bills in the long term. This is akin to household mortgage refinancing that lowers monthly payments by extending the term.

The economic rationale for such a smoothing policy is that the useful productive lives of contracted generation assets—payments for which constitute the bulk of Global Adjustment charges—are in many cases longer than the durations of the contracts. For instance, wind power RESOP, FIT and LRP contracts are structured for 20 years, even though wind turbines and equipment may be expected to operate for 30 years or longer, assuming periodic maintenance and refurbishment is undertaken. Similarly, natural gas generation contracts are generally for 20 year periods, though in the U.S. gas plants have often been retired after 40 years. Besides wind and natural gas, there may be additional generating assets that present opportunities to smooth costs for consumers. Under 20 year contracts, generator capital costs are amortized too quickly relative to the useful life, leading to higher annual capital charges than would be the case if the amortization period was extended to the full expected life span.[9] Charges to consumers for contracted generation could hence be reduced by stretching capital amortization periods to match the expected productive lives of the assets. In this way, the costs of generation charged on consumer bills would more closely reflect the true economic costs of the assets.[10]

There are three possible methods to accomplish generation cost smoothing in Ontario, recognizing that many new contracts with generators have already been signed over the preceding 12 years.

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[9] Generators have strong incentives to fully amortize fixed capital costs over the duration of the contract, and to build these costs into competitive supply bids, even if the contract duration is shorter than the expected lifespan of the asset. Once a generation facility is constructed it becomes a physically sunk asset, leaving the generator with considerably reduced bargaining power at the end of contract. Even if the government wishes the generator to continue operating after the end of the contract, it may offer to purchase power only at the variable or operating cost of production, providing minimal opportunity for the generator to recoup sunk fixed capital costs. As long as the purchase price at least covers variable costs, it is rational for the generator to accept the government's terms and to operate.

[10] The same smoothing principle could be applied to other generating assets where contract durations are less than expected asset lifespans. It is also applicable for expenditures on conservation projects, which can involve upfront investments in capital assets that reduce electricity demand over multiple years. For instance, high efficiency industrial refrigeration compressors are expected to operate for more than a decade. Currently, conservation expenditures are fully recouped in Global Adjustment charges in the year in which they occur. The Ministry of Energy estimates that smoothing conservation expenditures over asset lifespans could reduce electricity system costs in the short term by $300-$500 million.

1. Option for existing generators to bid for new long-term contracts

First, the government could offer generators with existing contracts the opportunity to bid for new contracts that would supersede their current contracts, stipulating that (a) the time horizon for a new contract must extend beyond the current one, and (b) the new purchase price for electricity for the duration of the new contract must be lower than the current contracted rate. If the generator and government reach agreement on new terms the new contract would replace the original one. Otherwise, the original contract would remain in force.

From the generator's perspective, this provides an opportunity to lengthen the time horizon of financial returns on their investment, and to increase the extant expected net present value of the project. It also pre-empts a potentially challenging renegotiation with the government at the end of the original contract when the assets still have productive capabilities but have been fully amortized. From the government's perspective, generation costs would be smoothed over a longer period of time as determined by individual generators on a case-by-case basis, lowering average electricity bills in the short to medium term.

There are several caveats with this approach. First, substantial rate reductions will be achieved only if there is sufficient competitive bidding pressure between generators for contract extensions. Since future demand for electricity in the province may well decrease, the government need not extend all generator contracts, which could create some implicit bidding competition – but the likely degree of competition and downward pressure on rates is uncertain ex ante. Second, the process of negotiating contract extensions could be administratively complex and time consuming for both the government and generators. The government has contracted with thousands of private entities since 2005. Generators would also likely need to renegotiate their own contractual arrangements with a range of parties in addition to the government, including landowners, financiers, local communities, and Aboriginal groups, a complex and uncertain exercise. A third caveat is that providing new long-term contracts to generators could impact the proposed introduction of a capacity market in Ontario if generators became less willing to participate in capacity auctions.

2. Short-term government subsidization of payments to generators

An alternative and potentially simpler approach for smoothing the amortization of generation costs is for the government to subsidize, in the short to medium term, a portion of annual contracted payments to generators operating under existing contractual terms, and to reduce consumer bills by the corresponding amount. The subsidy each year would equal the difference in annual amortization currently charged (based on the contract duration) and the annual amortization amount calculated using the productive life of the asset. Interest rates on government debt (which would fund the short-term subsidy) are currently very low (2.4% on Ontario's recent 10-year bond issue), making this a relatively cost-effective strategy, though it would increase public sector debt. Generator contracts would be unchanged in this scenario. An advantage of this approach is that it avoids the administrative cost and uncertainty of renegotiating in a short time period multiple contracts on an individual basis with generators, and it can be implemented relatively rapidly. On the other hand, the government would ultimately still need to negotiate new contracts with generators when existing ones expire in the future, in order to ensure that generation assets continue to operate, where needed, beyond 20 years.

In both approaches, the quid pro quo is that consumers would pay more for electricity in the future to reflect the longer amortization period, specifically during the years beyond the end of the original contract and up to the useful life of the generation assets. Generator refurbishment and maintenance costs may also increase for older assets, implying upward pressure on rates when generator lives are extended beyond anticipated contract end dates.

3. Long-term contracting policy

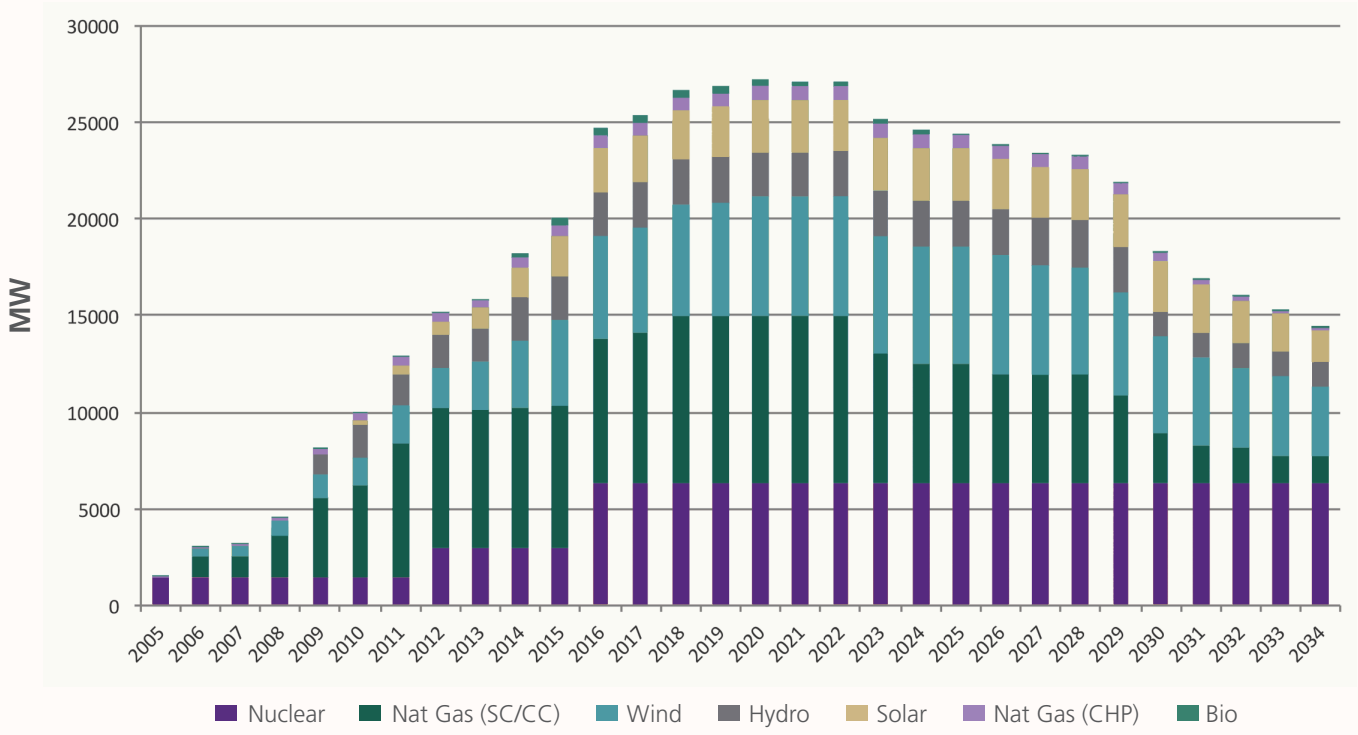
In future contracting exercises for new generation capacity, the government could invite generators to submit bids that include the proposed contract duration, and evaluate such bids on the basis of contract duration as well as on purchase price and other factors. Providing flexibility on duration would encourage generators to match the contract period to the expected productive life of the asset, resulting in (lower) annual amortization costs that reflect the true economic cost.

Preliminary Estimate of Impact of Smoothing Contracted Generation Costs

Estimating the potential impact on electricity bills from stretching out generation asset amortization periods requires detailed information on the terms of generator contracts, which are not publicly available. Assumptions based on available Ontario Energy Board (OEB) and IESO data, however, can lead to approximate calculations, albeit with circumscribed confidence in their accuracy.

Since 2004 the Ontario government has contracted for a significant amount of new generation capacity through competitive procurement exercises, bilateral negotiations, and feed-in tariff programs. By 2006, approximately 3,000MW of newly contracted capacity was operating; by the end of 2016, almost 25,000MW of contracted nuclear, natural gas, hydro, wind, solar, and bio-energy capacity was in place, representing a dramatic increase in procurement over a 10-year period. New procurement is expected to slow down in the coming years, reaching a peak of 27,000 MW accumulated contract capacity in 2020.

Figure 5: Contracted Generation Capacity by Fuel Type, 2005–2034

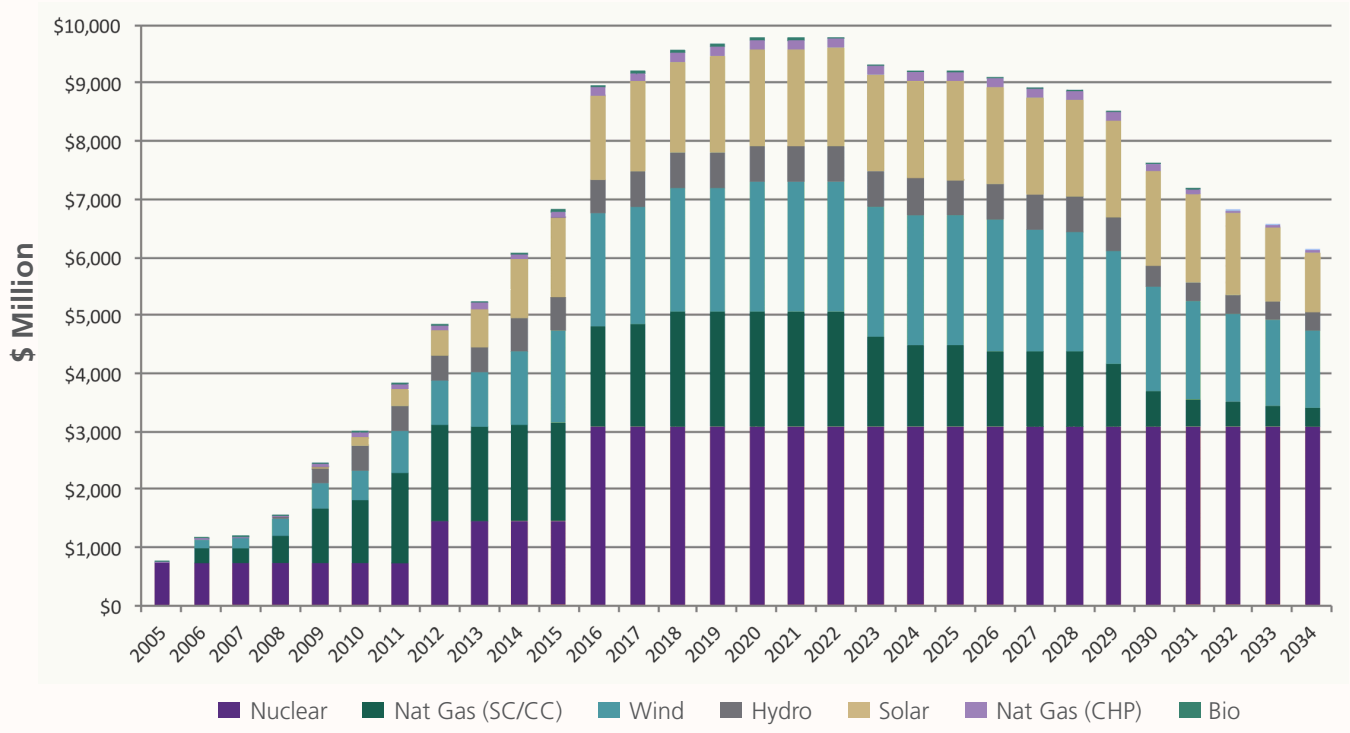


Source: IESO Progress Report on Contracted Electricity Supply, Third Quarter 2016. 'Other' fuel category omitted for simplicity.

Figure 5 shows the amount of accumulated contracted capacity for each fuel type for the 30-year period from 2005 to 2034. There has been a significant increase in contracted natural gas generation (representing 33% of total contracted capacity in 2017), as well as in nuclear (25%) and wind (22%). Solar, hydro, bio-energy and other fuels account for the remaining 20% of the 2017 total. OEB data on the average unit cost of electricity by fuel type, and IESO data on capacity utilization, leads to approximate estimates of the annual cost of contracted generation capacity.[11] In 2016, payments to contracted generators are estimated to have totalled approximately $9 billion. The estimated costs of contracted generation by fuel type are shown in Figure 6.

An important feature of Figures 5 and 6 is that they chart the contractual duration of capacity, not the useful productive lifespan of the generating assets. According to the IESO, contract terms vary from 5 to 21 years for bio-energy to 31 to 57 years for nuclear units. For natural gas and wind generation, as well as solar, contract periods appear to be somewhat shorter than typical estimates of expected lifespans (see Table 2), though lifespan estimates depend on a multitude of factors such as the specific technology type within a broad category, capacity utilization, and climate conditions. Some caution must thus be used in applying average industry lifespans to the specific case of generators in Ontario.

Figure 6: Estimated Cost of Contracted Generation, 2005–2034



Source: Author estimates. 'Other' fuel category omitted.

[11] Average effective power purchase rates per MWh for each fuel type are assumed to be as calculated in the OEB's Regulated Price Plan Report, November 2016. Rates range from $58/MWh for hydroelectric generation to $480 for solar. The same rates are applied each year in the analysis, though it is expected there will be variation in practice due to the changing mix of generation contracts with different purchase terms. Capacity utilization is estimated based on IESO reported installed capacity availability and actual power production for each fuel type in 2016 (http://www.ieso.ca/Pages/Power-Data/Supply.aspx)

Table 2: Durations of Generator Contracts and Expected Asset Lifespans[12]

	IESO contract duration (range)	IESO contract duration (mid point)	IEA lifespan estimate[13]	EIA lifespan estimate[14]
Natural Gas	10–20 years	15 years	30 years	30 years
Wind	20	20	25	30
Nuclear	31–57	44	60	
Hydro	20–50	35	80	
Solar	20	20	25	30

Source: IESO Progress Report on Contracted Electricity Supply, Third Quarter 2016.

Nonetheless, estimates of the impact of smoothing generation costs on consumer bills can be calculated under hypothetical scenarios where generator lifespans are assumed to extend to 30 years for natural gas plants and wind farms, and 25 years for solar PV (existing contracts are assumed to all be for 20 years). We do not model contract extensions for nuclear power given the specific nature of CANDU technology, or for hydroelectricity, bio-energy or CHP which are a relatively small share of total contracted capacity costs.

By the end of 2017, contracts for natural gas generation will be an estimated 8 years old on average, implying that 40% of original capital costs will have been amortized. Amortizing the remaining 60% of capital costs over the next 22 years instead of the originally-planned next 12 years suggests a reduction of up to 45% in annual natural gas generator capital charges may be possible in 2018. For wind power contracts, which will be on average 5 years old in 2017, the equivalent potential reduction in annual capital charges is up to 40% in 2018, and for solar 25%.[15]

In 2018, the total value of reductions in natural gas, wind and solar generation capital charges is estimated to be in the range of $1.5–$2.0 billion (see Figure 7), equivalent to approximately 8% of total expected electricity system costs. The amount of the annual reduction declines gradually over time in part due to interest costs on debt for the accumulated subsidy.[16] Additional asset refurbishment expenses in the latter part of the lifespan of generation assets would also reduce the amount of annual savings. After 2030, bills are forecast to be higher for several years than they would have been without smoothing.

[12] Retirement ages of generation plants also indicate lifespans. In the U.S., natural gas plants have often reached more than 40 years before retiring (Powell, N. America's Ageing Generation Fleet. Power magazine, 28 January 2013).

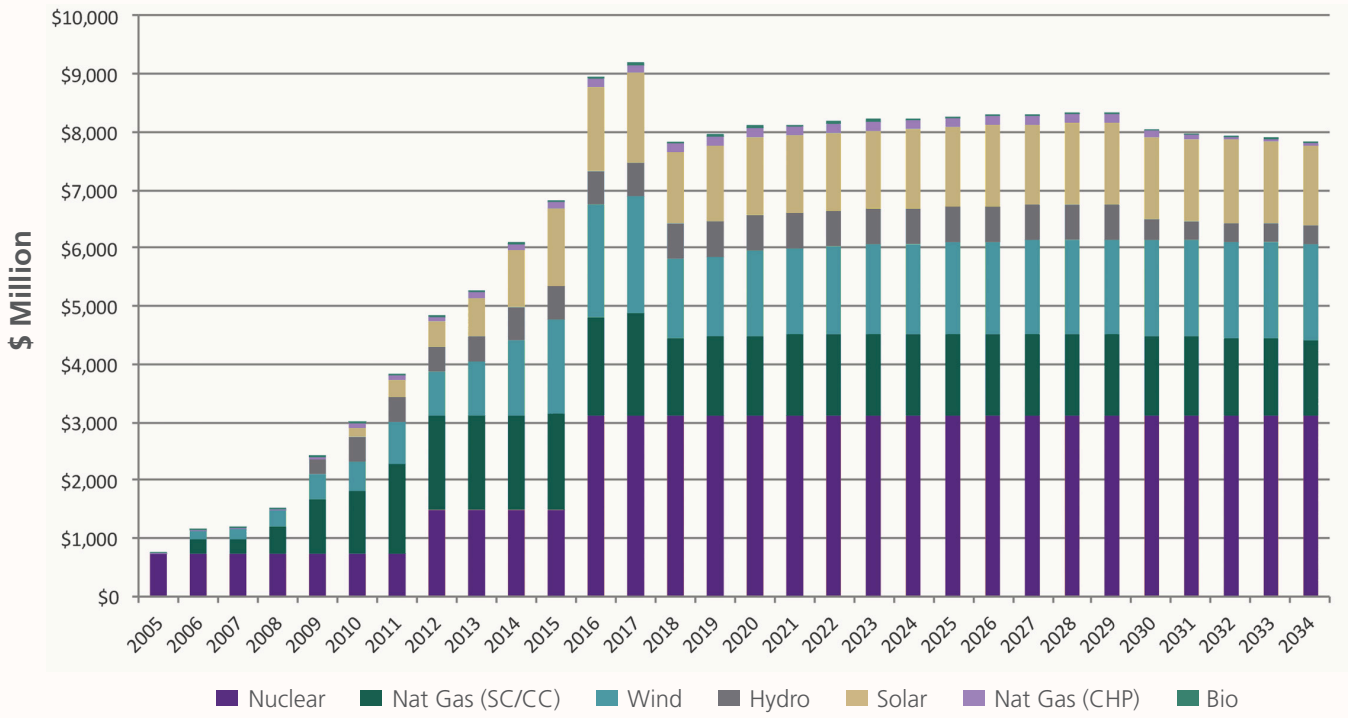
[13] International Energy Agency. 2015. Projected Costs of Generating Electricity.

[14] Energy Information Administration. 2016. Levelized Cost and Levelized Avoided Cost of New Generation Resources in the Annual Energy Outlook 2016. August 2016.

[15] Smoothing is applied only to the assumed capital component of unit generation costs. For wind and solar power which have zero fuel costs, and relatively low variable operation and maintenance costs, it is assumed that 90% of the power purchase rate is accounted for by capital costs. For natural gas capacity, which is assumed to have an average capacity utilization rate of 15% based on IESO data, and an average effective power purchase rate of $173/MWh (based on OEB estimates), the capital cost share is assumed to be 70%. Lower capital cost percentages would reduce the impact on current consumer bills of a smoothing policy.

[16] The interest rate on long-term debt is assumed to be 2.4%, which is the most recent rate on 10-year Ontario government bonds. Annual interest charges on the accumulated debt are assumed to be paid in full in each year by ratepayers through inclusion in electricity bills.

Figure 7: Estimated Smoothed Cost of Contracted Generation, 2018-2034



Source: Author estimates. 'Other' fuel category omitted.

These estimates are preliminary and reflect the specific assumptions of the model. Alternative assumptions would naturally lead to larger or smaller reductions in near-term contracted generation costs. They are also calculated for option (2) above in which the government finances the smoothing of contracted generator payments over an extended period, leaving original contracts unchanged. The alternative approach outlined in option (1), where generators bid competitively for new long term contracts that supersede existing ones, may deliver similar savings if all contracted generators participated and agreed to equivalent reductions in power purchase rates.

While smoothing generation costs can ease the transition for current households and firms to a higher cost electricity system, there are risks and limitations associated with such a policy. One risk is that future changes in markets, technologies, government policy, or demand for electricity may reduce the need for longer-lived generation capacity, potentially creating future stranded costs. In addition, an important consequence of smoothing is that it raises questions about inter-generational equity since consumers in the long-term future will contribute towards a larger share of generation capital costs, and consumers will also pay interest costs associated with short-term subsidization of rates. Some commentators have advocated for the status quo, citing the imposition of interest costs on future consumers as inequitable. However, the corollary to this argument is that the current approach of amortizing generation capital costs too quickly relative to expected lifespans is effectively a subsidy by current ratepayers of future consumers, who would have usage of the assets but not have to contribute to their capital costs. In addition, as economic growth continues, future generations will be wealthier than today, making any given level of electricity costs more affordable.

CONCLUSION

Wholesale electricity markets in many jurisdictions exhibit a variety of imperfections that affect investment, production, and consumption decisions. Wholesale market prices for electricity, including in Ontario, often do not provide an accurate representation of the full economic cost of production, which consists of short-run variable costs (e.g. fuel costs) and long-run fixed capital costs. Wholesale prices are often determined instead by short-run variable costs, especially in environments where there is excess generation capacity, implying that additional mechanisms—such as long-term power purchase contracts—are needed to enable generators to recover their full costs.

Since 2006, the hourly market price for electricity in Ontario has steadily fallen, owing to a decrease in demand and the addition of new capacity resources with low short-run variable costs. At the same time, the underlying cost of generation has increased as the province has made investments in new and refurbished capacity to ensure system reliability and to replace coal, and also added wind and solar supply—which are more costly than nuclear, hydro-electric, and coal generated power—in order to achieve environmental goals. The full cost of generation is reflected in the sum of the hourly wholesale market price (HOEP) and Global Adjustment, which enables generators to recover both short-run variable and long-run fixed costs of electricity production. The Global Adjustment is thus an important component of ensuring a well-functioning generation sector.

Despite the rapid escalation in generation costs that Ontario has experienced since 2005, there is an economic rationale for smoothing rates and reducing electricity bills for consumers in the short-run. Amortizing contracted generation capital costs over longer periods to match with the productive lifespans of the assets, which are often longer than the contracted terms, could reduce current electricity system costs by approximately eight percent, a preliminary estimate. Under this approach, the cost of generation charged on consumer bills would more closely reflect the true economic cost of the assets. A policy of smoothing generation costs through government subsidies in the short-term would incur interest charges and would lead to higher bills in the long-term, raising the challenging issue of inter-generational equity.

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From: Gavin He
To: John Kim; Bruno Amara
Cc: Ronald Kwan
Subject: FW: Rate Mitigation Implementation Meeting - April 20, 2017
Date: Wednesday, April 19, 2017 5:25:07 PM
Attachments: Agenda_Weekly Rate Mitig Implmentation Group_April 20.docx
Consolidated - OFHP Matrix - Week of April 18_clean (3).docx

Hi John/Bruno,

FYI.

Regards,
Gavin He

From: Gadi Mayman
Sent: Wednesday, April 19, 2017 5:18 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 20, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Wednesday, April 19, 2017 5:10 PM
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Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 20, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 20, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)
    - ICI (ESPD)

3) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 18, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation / Regulations • Ministry to look into retaining Navigant for report on long lived assets and associated assessment of value, Ministry to work with OPG to ensure alignment with OPG internal report for its Board • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; o OPG working with the Ministries of Energy and Finance on equity injection mechanics, approvals and valuation approach; and o Ministry of Finance and Energy are working with TD on a non-disclosure agreement <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market	• AG briefing on April 19, 2017 (TBD) • April 28, pens down on Legislation • KPMG and E&Y opinions to be provided by May 1 • OPG Board to meet on May 1 for approval (Note: Sub-Committee meetings will occur in advance) • Approval dates: o TB on May 9 2017; and o LRC/Cabinet on May 10, 2017 • Legislation introduced May 11, 2017: o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder letter in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member • OPG provided draft letter to OPG Board sub-committee on April 7, 2017 and provided to Ministry for comment. April 13, 2017, Minister of Energy sent letter to the OPG Chair • OPG to develop note on rationale for 51/49 capital structure of the Trust • OPG to confirm proposed tax status of the Special Purpose Vehicle (SPV) • OPG / OFA to comment / report on overall structure and financibility for TB report back **IESO:** • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to discuss LDC issues with OEB **OEB:** • OEB working to finalize RPP rates and release by April 20 **Legislative Drafting:** • LSB / Blakes / OPG / IESO / OEB / Key Ministries will continue to work through legislative drafting issues including asking dealers about whether a rate class can be named as the backstop in legislation instead of individual ratepayers • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature. • LSB to circulate legislation for review and comment over the weekend	

Item	Key Deliverables / Considerations	Timing / Next Steps
	• ENERGY / Blakes / IESO / OEB / OPG / Key Ministries to meet on Monday to work through issues related to legislation • Blakes / LSB to work with MAG on any constitutional law issues <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each • Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 9, 2017 (TBD) • Implementation of expanded program and reduction in RRRP charge is targeted for July 1 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • Legislation to include provision to allow for sharing of data between MCSS and OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • OEB decision this week on removing OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes <u>Considerations</u> • Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise. • Positive progress with OEB on implementation: o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts; o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100 million) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 9, 2017 (TBD) • Enhanced benefits and removal of OESP charge will take effect in May 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • On-reserve eligibility considerations require discussion with Chiefs of Ontario • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Ministry to meet with COO on April 26 regarding FN Rate implementation • Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Introduction of FNDC program targeting July 1 2017
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare.	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees • Second meeting of the Advisory Committee is

Item	Key Deliverables / Considerations	Timing / Next Steps
	• April 7, 2017: Hydro One letter to Advisory Committee members to schedule next meeting and ask members to start thinking of qualified Trustees <u>Considerations</u> • Legislative changes not required.	scheduled for April 18, 2017 **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	<u>Recent Action Items</u> • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) <u>Considerations</u> • Ongoing outreach with LDCs being undertaken by IESO.	• Report back to TB/MBC on May 9, 2017 • Effective April 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	Considerations • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • March 31, 2017: Ministry submitted responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP Recent Action Items • Provide AG technical briefing presentation used in media lock-up	• Preliminary discussion on April 19, 2017 (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
	on OFHP in advance of the technical briefing	
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall) • Ministry to develop deck on bill presentment with high level slides on legislation	• Initial discussion on March 31, 2017

From:	Gavin He
To:	John Kim; Bruno Amara
Cc:	Ronald Kwan
Subject:	FW: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Wednesday, April 12, 2017 5:35:57 PM
Attachments:	Consolidated - OFHP Matrix - Week of April 10.docx Agenda_Weekly Rate Mitig Implmentation Group_Mar 13.docx Letter from Province to OPG.DOCX

Hi John/Bruno,

Please find attached the meeting materials for your review.

Thanks,
Gavin He

From: Gadi Mayman
Sent: Wednesday, April 12, 2017 5:35 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - April 13, 2017

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Wednesday, April 12, 2017 5:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'

<sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>

Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

Implementation of Ontario's Fair Hydro Plan
Week of April 10, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation • Defining mitigation and recovery mechanism • Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg. 95/05) • Shareholder Resolution (work with OPG to determine form) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger • Third Party Technical Report (e.g., long lived assets, associated assessment of social, health and environmental benefits) <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to	• IESO Board meeting on April 12, 2017 – ESP to present on OFHP • AG briefing on April 19, 2017 (TBD) • Provide comfort letter to allow OEB to include in May 2017 RPP • April 21, 2017, "pens down" on Legislative drafting • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	the market • OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member • OPG providing shareholder resolution to OPG Board committee April 7, 2017 and will be provided to Ministry following that **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes / OPG / IESO will continue to work through legislative drafting issues • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature • Working group meetings Monday and Tuesday • ENERGY / Blakes / IESO / OEB / OPG to meet on Monday to work through issues related to legislation • KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions • Blakes / OPG to work through financing issues related to 10% cap	

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	• Blakes / LSB to work with MAG on a second constitutional law opinion from Peter Hogg • TD engaged through OFA to provide financial advice <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd and March 24th • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 1, 2017 (TBD) • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • LRC package for OESP enhancements (50% increase, expanded eligibility) approved by LRC and Cabinet. o Implementation on May 1 to align with OEB decision to end OESP charge on May 1, and to finance program through variance account. • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • SNAP to work with TBS map out how funds will flow from fiscal plan after legislation passes <u>Considerations</u> • Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise. • Positive progress with OEB on implementation: o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to transition from OESP variance (approx. $100 million) to finance the program to financing with tax funds. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 1, 2017 (TBD) • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • On-reserve eligibility considerations require discussion with Chiefs of Ontario • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. • April 7, 2017: Briefing for Advisory Committee members <u>Considerations</u> • Legislative changes not required.	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information. March 31, 2017, information provided to the FAO
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• March 2017: Cabinet submissions provided to AG • April 19, 2017: Preliminary discussion on (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall)	• Initial discussion on March 31, 2017

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 13, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) OPG Letter

3) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

4) Update on Action Items / Policy Matrix

Notes:

DRAFT: April 11, 2017

[Letterhead of Minister of Energy]

April [●], 2017

Bernard Lord
Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto, Ontario
M5G 1X6

Dear Mr. Lord:

I am writing further to the Premier's news release of March 2, 2017, in which the Province announced the Fair Hydro Plan to lower electricity bills by 25 per cent on average for certain customers starting in the summer of 2017, as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Given OPG's expertise as a participant in the electricity market and its expertise in rate regulated accounting and investment stewardship over significant pension and nuclear funds, I am writing specifically to request OPG's involvement in the implementation of the Global Adjustment Refinancing component of the Fair Hydro Plan

As you will have read, the 25 percent reduction in residential electricity bills referred to in the March 2nd announcement includes the 8 per cent reduction resulting from the rebate of the provincial portion of the harmonized sales tax on electricity bills effective January 1, 2017. The Province has also committed that certain customer bills would not increase by more than the rate of inflation for the four years following the 25 per cent average reduction.

In addition, as you know, Ministry of Energy staff have been working on preparing the draft legislation and regulations to implement the Fair Hydro Plan, with input from the IESO, the OEB, OPG and their respective advisors.

The Province is requesting that OPG, working with the Ministry of Energy, the IESO, the OEB, and their respective advisors, consider and recommend a plan for financing mechanisms that could achieve the Province's objectives for the reduction in consumer bills and the limitation on bill increases outlined above and in the Fair Hydro Plan, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan.

In particular, the Province would like OPG's financing plan to consider, among other things, structures and methods that would permit viable refinancing of a portion of the Global

Adjustment to reduce electricity prices for certain of today's electricity ratepayers, with the costs of the refinancing to be recovered over a period of up to 30 years, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan. We would expect the financing plan to include:

i) potential structures for the financing, which may include, as appropriate, a special purpose vehicle created for the financing;

ii) potential financing mechanisms and instruments, including senior debt and subordinated debt; and

iii) identification of the capital markets and jurisdictions that can be accessed to finance the rate mitigation.

The Province recognizes the need to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing and will address the specific requirements identified by OPG and its financial advisors, including in the pending legislation and regulations that will govern the mechanics and requirements of the financing entity. We would also request that your plan identify any amendments to OPG's governing legislation and constating documents needed to facilitate the implementation of the financing plan in a commercial manner.

We would further expect that the financing plan would be implemented in an effective and cost-efficient manner by OPG.

I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Yours truly,

The Honourable Glenn Thibeault
Minister of Energy

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Gavin He; Anna Strathy
Subject:	FW: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Wednesday, April 12, 2017 5:34:59 PM
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Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>
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Implementation of Ontario's Fair Hydro Plan
Week of April 10, 2017

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	the market • OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member • OPG providing shareholder resolution to OPG Board committee April 7, 2017 and will be provided to Ministry following that **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes / OPG / IESO will continue to work through legislative drafting issues • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature • Working group meetings Monday and Tuesday • ENERGY / Blakes / IESO / OEB / OPG to meet on Monday to work through issues related to legislation • KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions • Blakes / OPG to work through financing issues related to 10% cap	

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Blakes / LSB to work with MAG on a second constitutional law opinion from Peter Hogg • TD engaged through OFA to provide financial advice <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd and March 24th • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 1, 2017 (TBD) • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • LRC package for OESP enhancements (50% increase, expanded eligibility) approved by LRC and Cabinet. o Implementation on May 1 to align with OEB decision to end OESP charge on May 1, and to finance program through variance account. • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • SNAP to work with TBS map out how funds will flow from fiscal plan after legislation passes <u>Considerations</u> • Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise. • Positive progress with OEB on implementation: o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to transition from OESP variance (approx. $100 million) to finance the program to financing with tax funds. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 1, 2017 (TBD) • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • On-reserve eligibility considerations require discussion with Chiefs of Ontario • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. • April 7, 2017: Briefing for Advisory Committee members <u>Considerations</u> • Legislative changes not required.	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information. March 31, 2017, information provided to the FAO
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• March 2017: Cabinet submissions provided to AG • April 19, 2017: Preliminary discussion on (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall)	• Initial discussion on March 31, 2017

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 13, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) OPG Letter

3) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

4) Update on Action Items / Policy Matrix

Notes:

DRAFT: April 11, 2017

[Letterhead of Minister of Energy]

April [●], 2017

Bernard Lord
Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto, Ontario
M5G 1X6

Dear Mr. Lord:

I am writing further to the Premier's news release of March 2, 2017, in which the Province announced the Fair Hydro Plan to lower electricity bills by 25 per cent on average for certain customers starting in the summer of 2017, as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Given OPG's expertise as a participant in the electricity market and its expertise in rate regulated accounting and investment stewardship over significant pension and nuclear funds, I am writing specifically to request OPG's involvement in the implementation of the Global Adjustment Refinancing component of the Fair Hydro Plan

As you will have read, the 25 percent reduction in residential electricity bills referred to in the March 2nd announcement includes the 8 per cent reduction resulting from the rebate of the provincial portion of the harmonized sales tax on electricity bills effective January 1, 2017. The Province has also committed that certain customer bills would not increase by more than the rate of inflation for the four years following the 25 per cent average reduction.

In addition, as you know, Ministry of Energy staff have been working on preparing the draft legislation and regulations to implement the Fair Hydro Plan, with input from the IESO, the OEB, OPG and their respective advisors.

The Province is requesting that OPG, working with the Ministry of Energy, the IESO, the OEB, and their respective advisors, consider and recommend a plan for financing mechanisms that could achieve the Province's objectives for the reduction in consumer bills and the limitation on bill increases outlined above and in the Fair Hydro Plan, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan.

In particular, the Province would like OPG's financing plan to consider, among other things, structures and methods that would permit viable refinancing of a portion of the Global

Adjustment to reduce electricity prices for certain of today's electricity ratepayers, with the costs of the refinancing to be recovered over a period of up to 30 years, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan. We would expect the financing plan to include:

i) potential structures for the financing, which may include, as appropriate, a special purpose vehicle created for the financing;

ii) potential financing mechanisms and instruments, including senior debt and subordinated debt; and

iii) identification of the capital markets and jurisdictions that can be accessed to finance the rate mitigation.

The Province recognizes the need to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing and will address the specific requirements identified by OPG and its financial advisors, including in the pending legislation and regulations that will govern the mechanics and requirements of the financing entity. We would also request that your plan identify any amendments to OPG's governing legislation and constating documents needed to facilitate the implementation of the financing plan in a commercial manner.

We would further expect that the financing plan would be implemented in an effective and cost-efficient manner by OPG.

I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Yours truly,

The Honourable Glenn Thibeault
Minister of Energy

From:	Ronald Kwan
To:	Scott Nelms (ENERGY)
Subject:	FW: Rate Mitigation Implementation Meeting - April 25, 2017
Date:	Friday, April 28, 2017 3:52:35 PM
Attachments:	GA - IESO Role and Financing v4 - extract v9.pptx

Hi Scott,

As discussed, a draft slide. Comments welcome. Please do not share with Energy yet, as it is pending input from Gadi, et al.

Thanks,
Ron

From: Ronald Kwan
Sent: April-28-17 15:19
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Hi Gadi,

Would you have an idea when Energy will be circulating the draft TB Report Back?

I was talking to Steen on Wednesday on the IESO request for an expanded credit facility from the OFA, and he asked for some input.

Some potential input is attached, modifying the flow chart that Energy had in its March CabSub, to show a potential role for the OFA for financing the IESO (at least on an interim basis).

Steen also asked if we'd be looking for an approval. I'm not sure that is needed (assuming that IESO eventually can still sell the asset to OPG's SPV eventually, as planned), but perhaps a "Note" in the Minute would be helpful, along the lines of "Note that [the Minister of Finance will direct] the OFA [to/will] provide a credit facility to the IESO to facilitate …"

Energy's PW.

Ron

From: Gadi Mayman
Sent: April-25-17 23:28
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 25, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Tuesday, April 25, 2017 4:30 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY); Martin Schlaepfer (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Please find attached action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-24-17 5:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Schlaepfer, Martin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

DRAFT

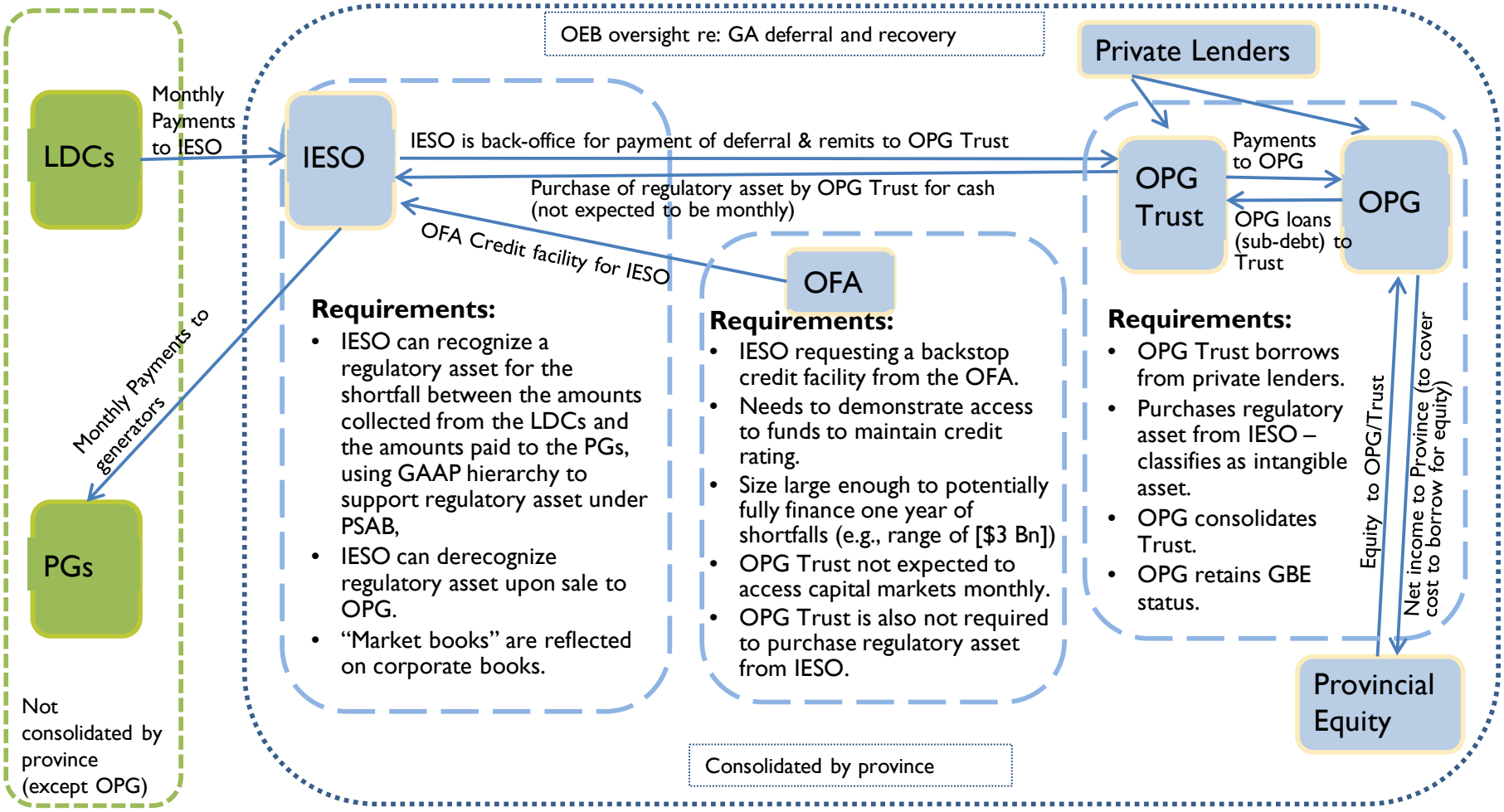
GA Financing Plan: Role of IESO

Corporate and Electricity Finance Division
April 28, 2017

DRAFT

GA Smoothing – Proposed Structure

- The following diagram provides an overview of the proposed GA smoothing structure, as well as interactions between sector entities and elements required to meet accounting objectives.



Note: Proposed structure is subject to legal and accounting confirmation, absent that confirmation, there would be a fiscal impact to the province.

IESO Financing Requirements

- IESO will need to ensure that it continues to have the funds available to provide payments to generators on a monthly basis as part of the IESO settlements process, while recoveries from LDCs for Regulated Price Plan (RPP) / Fair Hydro Plan eligible customers will be lower.
- IESO has an existing credit facility from the OFA; however, a new or expanded facility is being requested.
- IESO would require financing to compensate generators should it be required to hold any portion of the unpurchased Regulatory Asset beyond each monthly settlement period.
  - OPG Trust is not expected to access public capital markets monthly, nor is it required to purchase the regulatory asset.
  - IESO will need a credit facility for interim financing
  - IESO may require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.
- Based on Ministry of Energy's GA deferral plan, it is estimated that approximately $2.5-3.0 billion need to be deferred per year for over first 10 years, equal to approximately $200-250 million per month, on average.[1]
  - The amount of credit facility required to backstop IESO could be $2.5 to $3.0 billion per year. [TBC]
- However, the monthly and annual amount being deferred and the resulting monthly amounts can be substantially different based on various factors, such as seasonality or electricity usage, as well as potential changes to electricity costs from OEB rate decisions, with IESO estimating deferral amounts as high as $400 million per month.
- Other factors that may increase IESO's financing requirements:
  - IESO will also incur financing charges that will need to be refinanced.
  - The financing and administration costs that OPG Trust incurs will need to be paid.
- There is an accounting risk on how OFA financing of the IESO requirements would be treated.
  - Even if IESO is allowed to recognized the Regulatory Asset, there is a risk as to whether this recognition will be permitted under the accounting standards (PSAS) upon consolidation with the Province.

[1] Based on Ministry of Energy's annual GA deferral amounts, assuming the monthly deferral is equally-weighted.

From: Ronald Kwan
To: John Kim
Subject: FW: Rate Mitigation Implementation Meeting - August 10, 2017
Date: Monday, August 14, 2017 6:17:30 PM

Hi John,

FYI.

Ron

-----Original Message-----
From: Gadi Mayman
Sent: August-14-17 18:00
To: Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Steen Hume (CAB) <Steen.Hume@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>
Cc: Martin Schlaepfer (MOF) <Martin.Schlaepfer@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Subject: Re: Rate Mitigation Implementation Meeting - August 10, 2017

We're still waiting for OPG to provide us with their notes following our meeting with them last week, where we agreed to everything, subject to a few accounting checks that need to be done, so that we can ensure that what we're preparing for you and PO/CO accurately reflects what was agreed to with them. OPG is aware of the timing of the meeting on the 16th, and how critical it is to ensuring we keep with the timelines, so they'd promised their material to us by the end of the day today, and we're expecting to see it shortly. There's also a meeting scheduled with the IESO tomorrow morning, as we have to ensure that the form of guarantee on how any LDC defaults would be managed, and a couple of other IESO items, don't affect the IESO's accounting treatment.

Once we have that, barring surprises, we should be able to prepare the one-pager that we were planning to present pretty quickly, and we'll get it to you right away.

Regards,
Gadi

Original Message
From: Teliszewsky, Andrew (ENERGY)
Sent: Monday, August 14, 2017 5:32 PM
To: Gadi Mayman; Steen Hume (CAB); Scott Nelms (ENERGY); Serge Imbrogno (ENERGY)
Cc: Martin Schlaepfer (MOF)
Subject: Fw: Rate Mitigation Implementation Meeting - August 10, 2017

Good Afternoon:

Wondering - for this Wednesday - we've got our two energy products tracking. But for the "provincial guarantee" dialogue with PO/CO - I recall an OFA "note" being offered? Is that tracking?

Any chance our team could get eyes on it tomorrow, in advance of it being shared with the FPC distribution list, if it hasn't already?

Many thanks, in advance.

Andrew

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, August 10, 2017 7:49 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS); Katona, Keley (MOF)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett; Smith, Mike (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Attached are the action items from today’s meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: August 9, 2017 8:19 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Nakahara, Ken (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); 'David Barrett'
Subject: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Ronald Kwan
To: John Kim; Bruno Amara
Cc: Emily Kerr
Subject: FW: Rate Mitigation Implementation Meeting - August 10, 2017
Date: Friday, August 11, 2017 12:21:23 PM
Attachments: Action Items_Aug 10_Final.docx

FYI.

Ron

From: Gadi Mayman
Sent: August-10-17 19:05
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - August 10, 2017

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, August 10, 2017 6:49 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS); Keley Katona (ENERGY)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett; Mike Smith (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: August 9, 2017 8:19 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Nakahara, Ken (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker,

Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); 'David Barrett'
Subject: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – August 10, 2017

1) GA Refinancing
    - o General Update (OPG / IESO)
        - OPG will go to its Board with OFHP financing plan following direction from the August 16th meeting
    - o Draft Provincial Guarantees for Dealers (OFA/OPG)
        - OPG, TB/OPCD, MOF, OFA and ENEGY had a discussion on proposed approach on August 10th. Additional accounting review is required on proposed approach
        - Note: Initial focus on OPG finiancing will be focused on the Canadian market

2) August 16th Meeting (Provincial Guarantee (PG) Update)
    - OFA will develop proposal summary on the PG for the August 16th meeting
    - TB submission on the PG will track to TB/Cabinet on September 12th/13th. TBS indicated that it would also like the submission to provide a general status update on OFHP

3) AG Update
    - On July 25th, IESO had a special Board meeting on the OFHP that the AG attended

4) Other OFHP Initiatives
    - o RRRP, OESP and FN (SNAP)
    - o Affordability Fund (CRED)
        - Trustees have a call on August 11th

From: Anna Strathy
To: Ronald Kwan; Ken Kandeepan; Carlos Yep; Mike Manning
Cc: Gavin He
Subject: FW: Rate Mitigation Implementation Meeting - August 10, 2017
Date: Friday, August 11, 2017 10:16:00 AM
Attachments: Action Items_Aug 10_Final.docx

Good morning,

As you may know, coming out of the Rate Mitigation meeting yesterday with Energy, it was decided that TB/MBC will need to decide on the Provincial Guarantee. OFA has been tasked with preparing a Treasury Board submission that will track to TB/Cabinet on September 12th/13th (see attached Action Items).

I'm going to develop a first draft of the submission and circulate it to this group next week for comment. After the first round of comments, I'll recirculate to a wider group, including Scott Nelms' team and OPCD. To assist in my preparation of the submission, could I ask you to **send me any materials you have on the Provincial Guarantee** – latest term sheet, briefing notes, decks, etc.?

Mike, I know you're away next week, so if there's anything in particular that you think TB/MBC should be made aware of with respect to the decision on the guarantee, please let me know and I'll make sure it's incorporated into the submission.

Many thanks and happy to discuss.

Anna

From: Gadi Mayman
Sent: Thursday, August 10, 2017 7:05 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - August 10, 2017

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, August 10, 2017 6:49 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS); Keley Katona (ENERGY)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett; Mike Smith (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: August 9, 2017 8:19 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Nakahara, Ken (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); 'David Barrett'
Subject: Rate Mitigation Implementation Meeting - August 10, 2017

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Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

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1) GA Refinancing
    - o General Update (OPG / IESO)
        - OPG will go to its Board with OFHP financing plan following direction from the August 16th meeting
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    - On July 25th, IESO had a special Board meeting on the OFHP that the AG attended

4) Other OFHP Initiatives
    - o RRRP, OESP and FN (SNAP)
    - o Affordability Fund (CRED)
        - Trustees have a call on August 11th

From:	Ronald Kwan
To:	John Kim; Emily Kerr; Bruno Amara
Cc:	Gavin He
Subject:	FW: Rate Mitigation Implementation Meeting - August 10, 2017
Date:	Wednesday, August 09, 2017 10:31:07 PM
Attachments:	2017 Consolidated - OFHP Matrix - Week of August 8.docx 2017 Outstanding Business Issues - Week of Aug 8.docx Agenda_Weekly Rate Mitig Implmentation Group_Aug 10.docx

Hi,

Please review. Status comments? Say on SLA and MSA, as well as sub-debt agreement?

Thanks,
Ron

From: Gadi Mayman
Sent: August-09-17 8:20 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - August 10, 2017

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, August 9, 2017 8:19 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Ken Nakahara (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of August 8, 2017

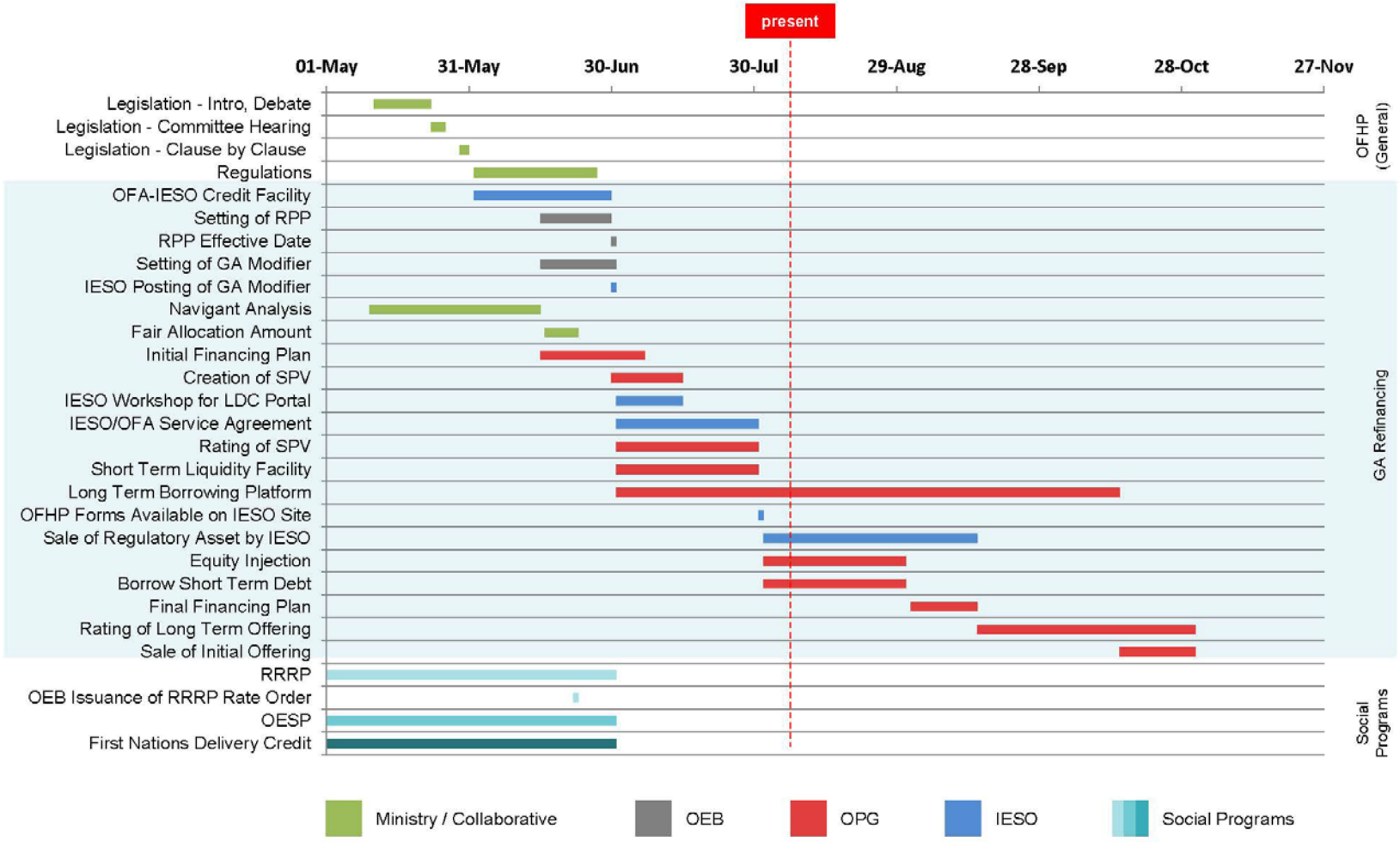
Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Guarantees (i.e., performance / payment, term sheet) – OPG to set meeting with OFA and IGS to discuss dealers' questions on guarantee – OPG targeting early August to settle on approach to guarantee and begin rating process (pending final approval at later date) o Management Fees Regulation o Interest Collection During the Inflationary Cap Period (OPG, IESO and Energy to work through approach) o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption – MOF/Tax Policy working on comfort letter re: PILs for OPG • OPG continuing work with rating agencies. OPG working to finalize this working by end of September • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • Summer – TB/Cabinet Approval and s.28 Approval Provincial Guarantees (TBD). Note: On August 16, OFA and Energy to bring forward proposed approach to Provincial Guarantee to CO/PO discussion • Summer / Fall – OPG Financing (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program	• Will hold a wrap-up working group teleconference in August.
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP • OEB and MCSS executed MOU (as per recent OEBA amendments) to share information that will support targeted outreach for social assistance clients potentially eligible but not enrolled in OESP • Targeted outreach and automatic SA client enrolment by MCSS to start late September; MCSS to continue developing software solution for automation over next several months • Significant progress on wet signature issue -- SNAP continues to work with, MOF, OEB and CRA on solution • SNAP to work with TBS to ensure funds flow from fiscal plan when OESP moves to the tax base	• Week of August 7 – follow-up with CRA on proposed wet signature solution
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	Recent Action Items • All LDCs have indicated they have implemented the program. • Ministry working on post card for FNDC	• Will hold a wrap-up working group teleconference in August.

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	Recent Action Items • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity • Hydro One, in its administrative capacity, is developing back office support and preparing recommendations for the first meeting of the Board of Trustees • Stakeholder engagement is underway; preliminary outreach with several LDCs conducted in July and a WebEx meeting to allow for broader outreach to utilities scheduled for August 1 • Trustees continue to work through program design concepts and details in order to launch the program as soon as possible • Trustees have agreed to Hydro One's role as administrator	**Summer 2017:** • LDCs begin to apply to the Trust for funds **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records • TBS advises that AG is tracking for an opinion on Public Accounts (PA) on August 18, which would result in an earliest release by the government of the PA on August 28 (Note: The statutory deadline in September 27) • IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG	• Summer – Responding to AG Request (Ongoing)

Item	Key Deliverables / Considerations	Timing / Next Steps
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) Considerations • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet **Timing:** TBD
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to review MSA and SLA • OPG / Energy to revise OPG Articles to enable new class of shares **Timing**: TBD
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and begin drafting regulation **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: TBD

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
August 10, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Draft Provincial Guarantees for Dealers (OFA/OPG)
    - Business Item (OPG/IGS)

2) August 16th Meeting
    - Provincial Guarantee Update

3) AG Update

4) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From:	Ronald Kwan
To:	John Kim; Emily Kerr
Subject:	FW: Rate Mitigation Implementation Meeting - August 24, 2017
Date:	Thursday, August 24, 2017 1:40:21 PM
Attachments:	2017-07-11 Consolidated - OFHP Matrix - Week of August 21.docx ATT00001.htm Agenda_Weekly Rate Mitig Implmentation Group_Aug 24 (002).docx ATT00002.htm 2017 Outstanding Business Issues - Week of Aug 21 - igs.docx ATT00003.htm

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From: Gadi Mayman
Sent: August-23-17 20:23
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Matthew Breadner <Matthew.Breadner@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - August 24, 2017

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** August 23, 2017 at 6:50:46 PM EDT
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Chander, Sunita (ENERGY)" <Sunita.Chander@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "'"jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>,

"Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - August 24, 2017

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Implementation of Ontario's Fair Hydro Plan
Week of August 21, 2017

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• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
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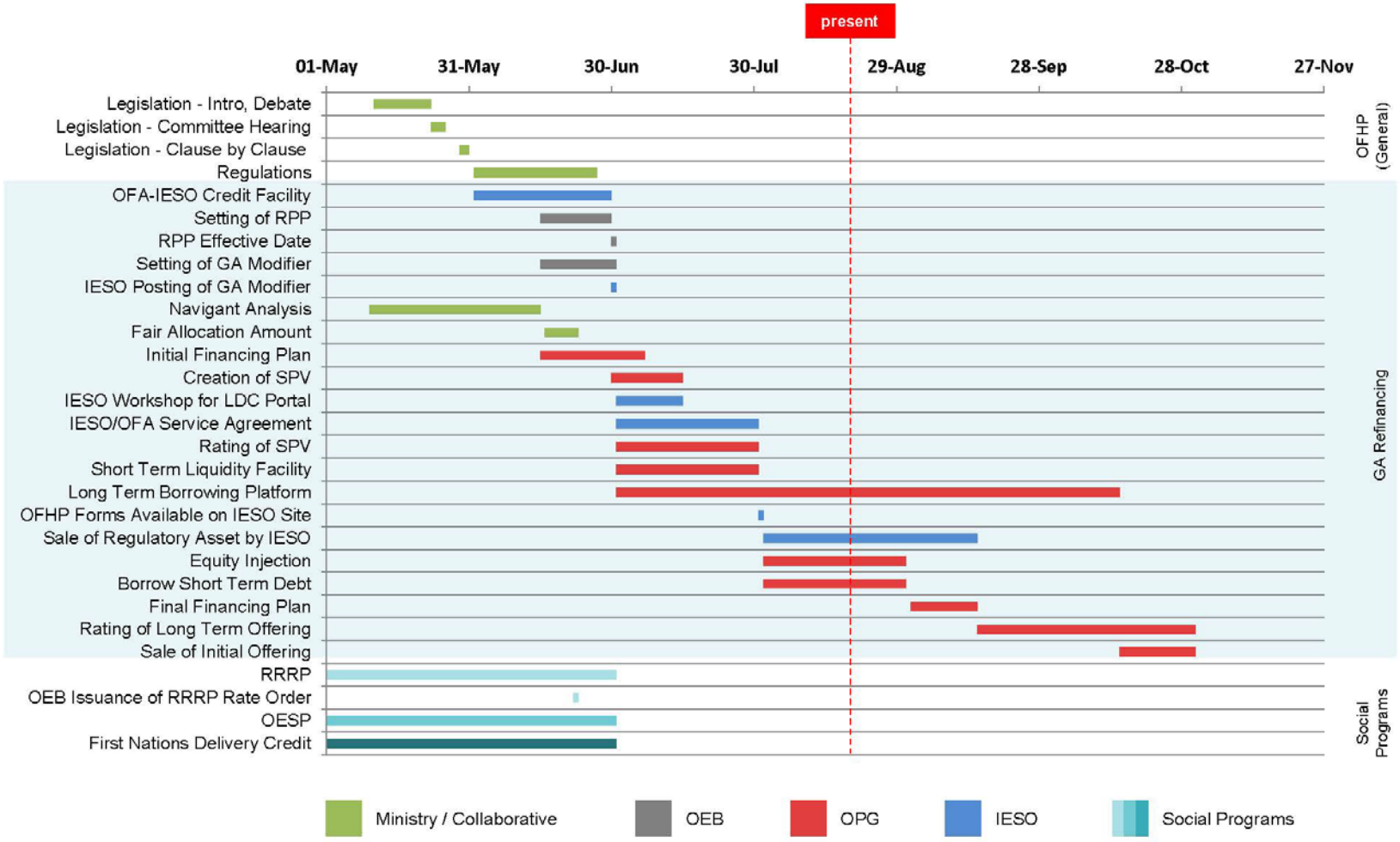
Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
August 24, 2017

Agenda

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    - General Update (OPG / IESO)
    - Provincial Guarantees (OFA/OPG)
    - Business Item (OPG/IGS)

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Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet • ENE/MOF tracking to TB in September for approval **Timing:** TBD
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to determine required monthly process and sign-off mechanism **Timing**: TBD
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: TBD

From:	Ronald Kwan
To:	John Kim
Subject:	FW: Rate Mitigation Implementation Meeting - December 7, 2017
Date:	Wednesday, December 06, 2017 5:50:26 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_ Dec 7.docx ATT00001.htm 2017 OFHP Matrix and Outstanding Business Issues - Week of Dec 4 - EPE ....docx ATT00002.htm

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Hi John,

Note that the Business Issues matrix still has the PILs reg as going to LRC. Again, as a Minister's reg, that wouldn't be the case, would it? And did Energy circulate a draft of the matrix in advance for comment?

Thanks,
Ron

From: Gadi Mayman
Sent: December-06-17 17:42
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - December 7, 2017

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** December 6, 2017 at 5:27:22 PM EST
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo -CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)"

<David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>

Subject: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
December 7, 2017

Agenda

1) GA Refinancing
    - Provincial Support Agreements (OFA / OPG / ENERGY)
    - General Business Update (OPG / IESO / ENERGY)

2) OPG's Market Activities – Rollout (All)

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of December 4, 2017

Global Adjustment (GA) Refinancing – Business Issues / Implementation

Issue	Overview	Supporting Documentation	Timing / Next Steps
Provincial Support Agreements	• Province to provide contingent supports to enable structure	• Term Sheet • Change of Law Protection Agreement • Change of Law Process Agreement	• MOF / OPG / ENERGY to finalize Protection Agreement and Process Agreement based on Term Sheet approved by TB/CAB **Timing / Next Steps:** • Agreements to be finalized by mid-December (Note: No later than December 15)
OPG's Financing Plan / Market Activity	• OPG, as Financial Services Manager (FSM), to provide a Financing Plan in accordance with legislation, to evaluate the incurrence of funding obligations consistent with the FAA	• Minister's FAA letter to OPG • Financing Plan • Transaction Documents	• OPG has provided another draft of the Financing Plan to ENERGY for review **Timing / Next Steps:** • Final Financing Plan expected the week of December 11, pending conclusion of rating agency assessment and Ministry of Energy review • Finalization of Transaction Documents in December / January as required (TBD): o December – OPG initial purchase of IESO regulatory asset utilizing warehouse facility o January – OPG to proceed with initial issuance of term debt
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement – Complete • MOU between OFA and Energy – Complete • Notice of Subscription	• Master Share Subscription Agreement and Shareholder resolution signed on November 29 • OFA/ENE MOU will be signed by December 7

Issue	Overview	Supporting Documentation	Timing / Next Steps
		• Amendment to Articles Signed – Complete	**Timing / Next Steps:** • First equity injection expected to be completed by December 18
Protocol for Subordinated and Junior Subordinated Debt	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA has provided comments • OPG to draft Debt Loan Arrangement **Timing / Next Steps**: • OPG to provide additional details
PILs Exemption	• The beneficiary of the OFHP Trust would be subject to tax under the payments in lieu of taxes (PILs) regime under the *Electricity Act, 1998* (EA), and would pay PILs to the Ontario Electricity Financial Corporation (OEFC) • Province to mitigate cost to ratepayers by minimizing PILs payable by the Trust beneficiary • A regulation under the EA is required to exempt the beneficiary from PILs	• Regulation	• MOF is drafting the regulation **Timing / Next Steps:** • Regulation expected to proceed to LRC (TBD)
OPG / IESO Commercial Agreement	• OPG and IESO to enter in to commercial agreements governing the Financing Entity purchase of the regulatory assets (i.e., the Master Transfer and Servicing Agreement, Security Agreement and Acknowledgement and Indemnity Agreement)		• OPG and IESO working to finalize Agreement • IESO Board has approved delegation of approval for agreements • IESO provided an update to its Board on November 29 **Timing / Next Steps:** • Agreements to be finalized. • Further changes may be required pending the completion of the rating process

Ontario's Fair Hydro Plan – Implementation Matrix of Other Items

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation •
2) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • MCSS has begun work to enroll social assistance (SA) clients to OESP, and is directly contacting these clients by phone and letters. The temporary call center is operational and OESP posters and brochures are being distributed to SA offices. • OEB and MCSS and working together on aligning software systems to electronically automate enrollment of SA clients into OESP. Targeting summer 2018 for completion. • The OEB and CRA have reached an agreement to implement an e-signature solution for OESP applications. Work is underway to implement the solution and is expected for Q1 2018. Once completed, the MOU between CRA and MOF will be updated to reflect change. • Ministry is targeting a January 22 – LRC date to proclaim OEBA amendments to shift the OESP to the tax base and to transfer program administration authorities to the Ministry. OESP variance account is expected to deplete in February 2018, and mechanisms to compensate program delivery partners through the tax base needs to be in place for that date. • The Ministry is working with the OEB on knowledge transfer in order to take over program administration in Q1 / Q2 2018. Awaiting feedback from TBS on FTE allocations – the Ministry requested 5 FTEs to support OESP administration through PRRT	• LRC package being developed for proclaiming OEBA provisions and amending OESP regulation for Q1 2018 • Continue to work with OEB to build up the Ministry's knowledge base on administering the OESP

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	Recent Action Items • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Receiving regular updates from H1 on enrollment
4) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	Recent Action Items • October 12 – Soft launch of microsite and 1-800 number • October 24 – Formal announcement in Hamilton involving the Minister of Energy • As of November 16 – 1,634 intake forms submitted; over 1,000 AFT applications sent to Hydro One or the 41 active/pending participating distributors • On Oct. 24 – the Trustees held a webinar with 200 participants to overview program design, walk-through the web site, and answer distributor questions • Next Trustee meetings scheduled for December 14, 2017 • The Trust expects to enter into agreements with interested electricity distributors starting mid to late December 2017 (Hydro One will deliver the program in service areas of those distributors who do not apply)	**Fall 2017:** • The Trustees are considering the use of Ontario 211 services for the Affordability Fund • The Fund will have an iterative design process to support continuous improvement, and will revisit design elements every 6 months and measures every 3 months • ENERGY has amended the TPA with the Affordability Fund Trust to require use of the Ontario logo in Fund marketing and communications and is waiting for the Trustees to sign • Report back to TB/MBC through the PRRT process with final program details and a performance management framework including outcome measures and targets **Early 2018:** • ENERGY can apply for additional funds through an in-

Item	Key Deliverables / Considerations	Timing / Next Steps
		year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
5) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
6) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI. Ministry finalizing OCC's expansion proposal • Ministry finalizing CME proposal	• Quarterly Report Backs re ICI to TBS / MBC
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	Recent Actions Items • Work with agencies ongoing	• Continue this work as part of 2017 LTEP implementation

From: Ronald Kwan
To: John Kim
Subject: FW: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 12:39:36 PM
Attachments: 2017 07 07 Business Issues v01.docx
2017-07-07 Consolidated - OFHP Matrix - Week of July 26_Clean.docx
Agenda_Weekly Rate Mitig Implmentation Group_July 27.docx

Hi John,

They have the Provincial Support Agreement and the equity injection as language or documents, respectively, finalised by the end of July.

Would you check on the status of both.

Thanks,
Ron

From: Gadi Mayman
Sent: July-26-17 09:39
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - July 27, 2017

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, July 26, 2017 9:23 AM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet **Timing:** Language finalized by end of July
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Draft Term Sheet • Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to provide comments on Master Subscription Agreement • OPG / OFA / Energy to develop other agreements and revise OPG Articles **Timing**: Documents finalized at end of July
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• OPG to consider value of comfort letter • MOF legal to draft regulation (consider broad vs. narrow) **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: TBD

Implementation of Ontario's Fair Hydro Plan
Week of July 24, 2017

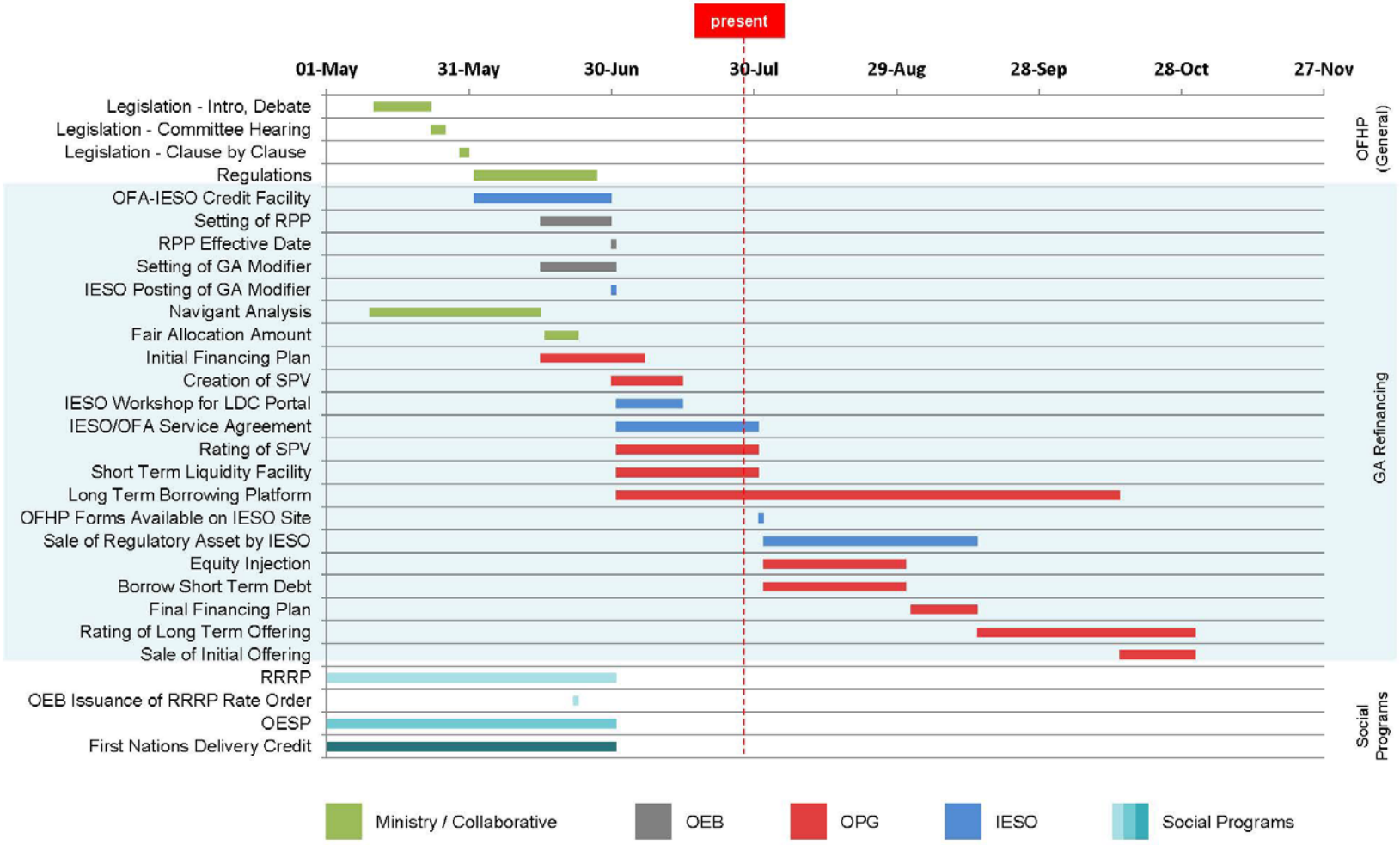
Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Guarantees (i.e., performance / payment, term sheet) o Management Fees Regulation o Interest Collection During the Inflationary Cap Period o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • Summer – TB/Cabinet Approval and s.28 Approval Provincial Guarantees (TBD) • Summer / Fall – OPG Financing (TBD)
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	<u>Recent Action Items</u> • Ministry working with LDCs to finalize program design	• TBD

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	<u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes • Ministry continues to work with MCSS on OESP automatic enrollment, which is tracking for September at earliest	• July 26, 2017 – MCSS going to TB
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • Ministry working with Chiefs on First Nations Delivery Credit (FNDC), with Chiefs expecting to table and pass a resolution next week on who receives credit • Ministry finalizing process for eligibility and working with COO to communicate FNDC • Letter being drafted by Regional Chief Day tracking for week of May 29 • Ministry met with COO on April 26 and May23 regarding FN Rate implementation	• TBD
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity	**Summer 2017:** • LDCs begin to apply to the Trust for funds **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Hydro One, in its administrative capacity, is developing back office support and preparing recommendations for the first meeting of the Board of Trustees	framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	<u>Recent Action Items</u> • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records	• Summer – Responding to AG Request (Ongoing)
7) Bill Presentment (SNAP/LSB)		
• ENERGY	<u>Recent Action Items</u> • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	<u>Recent Action Items</u> • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC

Item	Key Deliverables / Considerations	Timing / Next Steps
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
July 27, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Draft Provincial Guarantees for Dealers (OFA/OPG)
    - Business Item (OPG/IGS)

2) AG Update

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Gavin He; Anna Strathy
Subject:	FW: Rate Mitigation Implementation Meeting - June 22, 2017
Date:	Friday, June 23, 2017 10:34:27 AM
Attachments:	Action Items_June 22.docx

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Friday, June 23, 2017 10:34 AM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)' <maryanne.aldred@ontarioenergyboard.ca>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Evans, Karen (ENERGY) <Karen.Evans@ontario.ca>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <Adam.Feather@ontario.ca>; Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Matthew Kitchen (ENERGY) <Matthew.Kitchen@ontario.ca>; Patrick Laughton (MOF) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>
Subject: RE: Rate Mitigation Implementation Meeting - June 22, 2017

Hi everyone,

Attached are the action items from yesterday's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)

Sent: June 21, 2017 8:39 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Kitchen, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett
Subject: Rate Mitigation Implementation Meeting - June 22, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – June 22

1) OFHP Ads
    - Ad to be shown at Cab – Communication product to be included in submission

2) GA Refinancing
    - Regulation (Energy / All)
        - Next turn going out this morning
        - Ministry finalizing drafts of submissions to share with TBS/Cab
        - TBS would like timing of report backs

    - Critical Path Updates (OPG / IESO / OEB)
        - OPG having discussions (using soft deck) with the rating agencies (DBRS, S&P, Fitch) late next week / early the week after to determine the scope of documents required (legal, program)
            - OPG to provide deck to Ministry
        - OPG/IESO accountants and laywers meeting to work through accounting issue on the need for revenue to pay interest and fees in the period when clean energy adjustments cannot be charged to rate payers
            - OPG/IESO to report back
        - OPG legal agreements in progress
            - OPG to provide a detailed list of legal agreements to Ministry
        - OEB releasing RPP prices June 22, 2017 / Noon, as well as RRRP amounts

    - Business Item Upates (OFA / IGS)
        - Ministry has provided answers on MOF's questions on the Board indemnities
            - Ministry to submit formal (transmittal memo) Section 28 submission
            - MOF to brief its Minister on Wedensday to get Section 28 approval
            - Minister of Energy would then sign indemninities
        - OFA credit OIC going to LRC on June 27th
        - OFA to send comments on the OPG provincial guarantees this week (looking to finalize by end of July)
        - Energy would need to be comfortable with equity injection process, but OFA would coordinate on a montly basis

3) AG
    - Recent Activities / Requests (All)
        - TBS met with AG
        - AG to provide opinion on August 18, 2017
        - AG was going to provide IESO with a document on accounting concerns
            - IESO will be delivering a technical document to its Board by the end of the week
        - KPMG received what IESO believes is a similar document and will be responding to the issues raised

4) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - OESP regs are tracking to Cabinet on the 27th
        - MCSS - OESP automatic enrolment TB submission to track in July
        - One LDC may not be able to implement RRRP
    - Affordability Fund (CRED)
        - First meeting of Trustees held on June 21st
        - Key next steps include:
            - Trustees to sign appointment document
            - Trustees to appoint Hydro One as administrator, pending review by Trustees of Administrative Services Agreement
        - Next meeting of Trustees to be scheduled for late July
            - Hydro One to develop strawman of program design considerations for Trustees' review

From:	Ronald Kwan
To:	John Kim; Bruno Amara
Subject:	FW: Rate Mitigation Implementation Meeting - June 8, 2017
Date:	Wednesday, June 07, 2017 9:42:52 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_June 8.docx Consolidated - OFHP Matrix - Week of June 5 Clean (3).docx Submission to the Standing Committee on Justice Policy.pdf Regulations 6 June 2017.docx 2017 06 07 Outstanding Business Issues Ontario Fair Hydro Plan - v05.docx

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Hi,

Any comments, before the meeting, such as on the revised version of the outstanding business issues?

Ron

-----Original Message-----
From: Gadi Mayman
Sent: June-07-17 9:30 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - June 8, 2017

Here's the material for your meeting tomorrow.

Gadi

Original Message
From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, June 7, 2017 8:02 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Matthew Kitchen (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
June 8, 2017

Agenda

1) GA Refinancing
    - Regulation (Energy / All)
    - Critical Path Updates (OPG / IESO / OEB)
    - Business Item Upates (IGS)

2) AG
    - Requests (All)
    - Standing Committee

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of June 5, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> **Legislation and Regulations Drafting / House Prep:** • LSB working on: o Regulations – 2 parts (mid and late June). Note: OPG has sketched out what it may require in regulation. Regulation tracking for direct to Cabinet on June 14th (TBC) o ENERGY to share draft regulations with TBS and others once received from Leg. Counsel (aiming for early week of June 5). o Indemnities for OPG and IESO Board members to be in place around Royal Assent o Ministry to work with OPG/OEB/IESO on regulations • Ministry to follow up with stakeholder on rate cap • Blakes and LSB to work with MAG on any constitutional law issues – ongoing • Agencies (OPG/IESO/OEB) to provide critical paths/detailed workplans as required ENERGY to review and provide comments on OFA comparison of Clean Energy Adjustment to DRC (which when ready will be shared with AG) by early week of June 5 • TBS to connect with OFA to determine if it ready to share with IESO • IGS to follow-up with MOF/Tax Policy on indirect taxes imlications **TBS, LRC and Cabinet:** • Ministry working on approval documents for Minister signature for end of week: o LRC / Cabinet Submission on OFH Legislation	• Regulations – mid and late June 2017(TBC) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	o TB/MBC Report Back – GA refinancing, Social programs and ICI. Note: TB looking for variability risk analysis for Social programs o TBS to draft a chart with report backs o TBS to look at more streamlined approval process (Cabinet sitting as TB, LRC) o Ministry to share drafts by end of week • Ministry working with Navigant to prepare a report on long lived assets and associated assessment of value. Interim report expected mid-May, followed by final report in June • OPG and IESO's independent accounting work is complete: • OPG memo and E&Y accounting opinion has been delivered to Ministry • IESO has finalized KPMG's work • Agencies are each working a one page summary that could be released publically • OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge • Indemnities for Boards are tracking forward to be in place when legislation comes into force • Guarantees for dealers are still being explored and to be done in conjunction with rating process **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market (OPG expected to go to market September/October) – IESO/OPG to work together on outstanding issues regarding OPG cash flows • OPG to confirm proposed tax status of the Special Purpose Vehicle (SPV) • OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July. Documents	

Item	Key Deliverables / Considerations	Timing / Next Steps
	will include commentary on credit worthiness. Potential engagement of Moody's/S&P/DBRS • OPG to draft terms of guarantee to dealers (which will be presented to dealers) • Ministry to work with OPG to ensure alignment with OPG internal report for its Board • MOF, Energy and OPG work on equity injection mechanics, approvals and valuation approach • OPG undertaking modelling, but initial borrowing amount will come from formula in legislation. • Ministry draft assurances / indemnification for Board member and Shareholder Resolution re articles of incorporation/borrowing (Timing TBD) • OPG to meet with OAG next Thursday (TBC) • OPG on track with Board meeting on May 12 to approve recommendation • OPG guarantees won't be negotiated until a later stage and guarantee for market disruption is still in play **IESO:** • IESO to discuss LDC issues with OEB • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO memo and KPMG accounting opinion has been delivered to Ministry • Ministry draft assurances / indemnification for Board member • IESO is producing a document to respond to AG questions – to be shared with TBS for review • IESO letter went to OFA to request $2.5B total credit **OEB:** • OEB continues to work through drafting issues with LSB (e.g., role in review of admin costs, timing of revised RPP, why there needs to be an OEB objective) • OEB's cannot reset prices until regulation is public, but work will happen in the background to ensure a common understanding of regulations	

Item	Key Deliverables / Considerations	Timing / Next Steps
	Considerations • Ongoing financing, accounting and legal risk assessments. • OPG needs to have regulations finalized to move forward on ratings process • OEB needs regulations to move forward with pricing, which is on track for June 22	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • SNAP convened LDC WG May 18th to discuss bill presentment and SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each • Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases • Ministry working with LDCs to finalize program design Considerations • Staff working on regulations with LSB • Staff intending to share drafts of the regulations once created with OEB and IESO policy/legal staff •	• Regulations – June 2017 • Implementation of expanded program and reduction in RRRP charge is targeted for July 1 2017
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • OEB removed OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes	• Regulations – June 2017 • Enhanced benefits and removal of OESP charge will take effect in May 2017

Item	Key Deliverables / Considerations	Timing / Next Steps

	• Ministry to meet with MCSS regarding taking over OESP administration
	• Ministry received final legislation, which includes information sharing provision with MCSS
	
	<u>Considerations</u>
	• Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise.
	• Positive progress with OEB on implementation:
	  o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts;
	  o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support.
	• As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100 million) to reduce current OESP charge to zero and continue funding existing program until tax changes in place.
	• Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	

4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • Ministry finalizing process for eligibility and working with COO to communicate FNDC	• Regulations – June 2017 • Introduction of FNDC program targeting July 1 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Letter being drafted by Regional Chief Day tracking for week of May 29. • Ministry met with COO on April 26, 2017 and May23rd regarding FN Rate implementation <u>Considerations</u> • Eligibility will be for First Nation on Reserve consumers who are receiving HST exemption to be automatically qualified for the Delivery credit. • Staff working with COO on a communication strategy • LDCs have been made aware of the eligibility requirement and indicate they can do this quickly/easily. • Work with LDCs on implementation details that need to be legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. •	
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • Affordability Fund advisory committee reached consensus on three LDCs + two social agencies to be represented on Trust Board (Ottawa Carleton UW / Advocacy Centre for Tenants Ontario (ACTO) / Thunder Bay Hydro / Hydro One / Alectra) • ACTO declined the invitation to participate on the Board of Trustees due to other demands/priorities. The advisory committee is contacting the Neighbour to Neighbour Centre to invite a representative to participate on the Board. Response pending. • Advisory Committee working to confirm remaining social service agency representative required for Board of Trustees • In its administrative capacity, Hydro One is preparing	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome

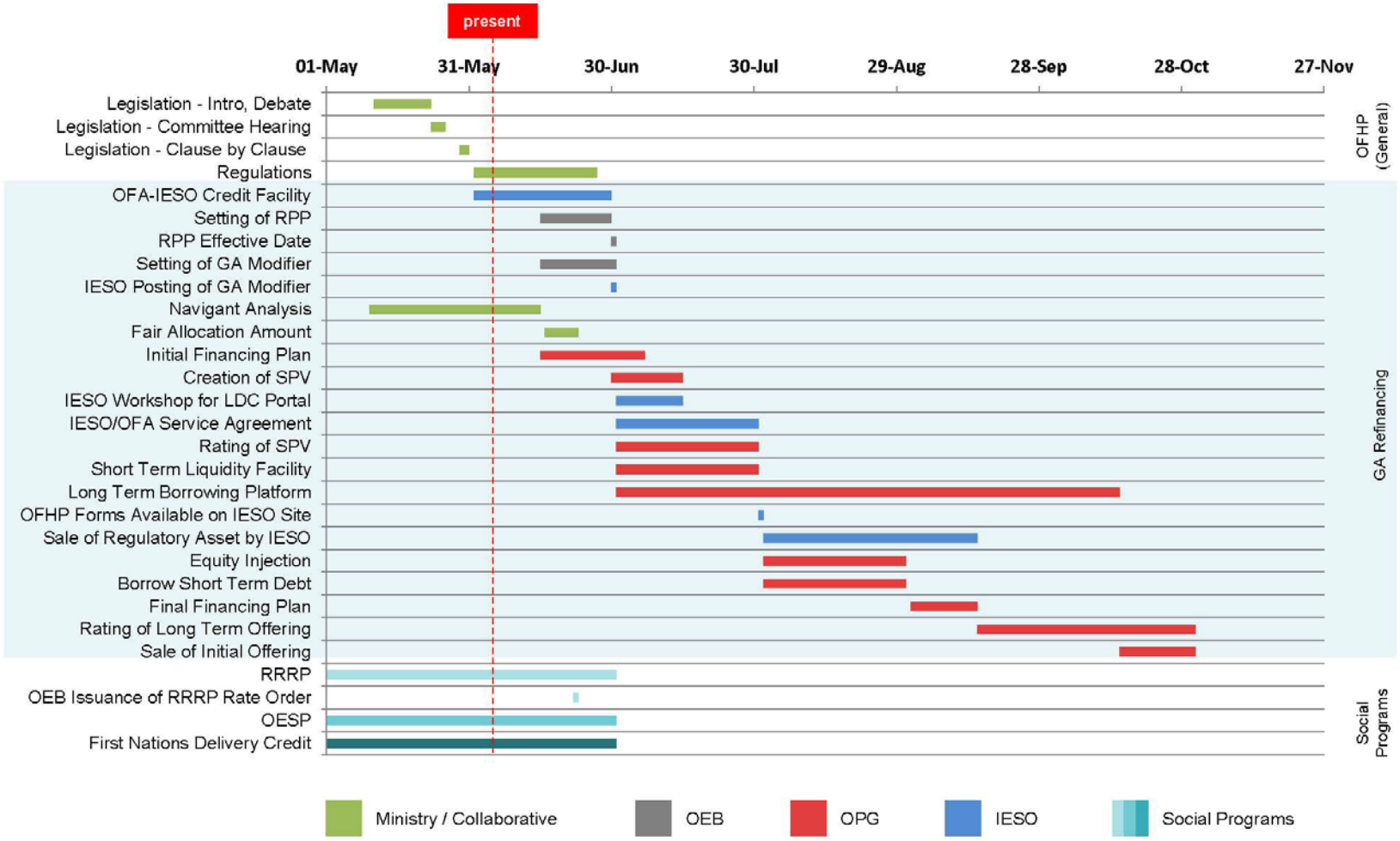
Item	Key Deliverables / Considerations	Timing / Next Steps
	documentation to replace Computershare, as the original trustee, with the Board of Trustees. Hydro One is also developing back office support and preparing recommendations for the first meeting of the Board of Trustees. <u>Considerations</u> • Legislative changes not required.	measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	<u>Recent Action Items</u> • Ministry promoting value of ICI (i.e., at upcoming OCC Annual General meeting) – OCC educational outreach work underway. • Ministry discussing with CME ongoing <u>Considerations</u> • Ongoing outreach with LDCs being undertaken by IESO.	• Report back to TB/MBC on May 9, 2017 • Effective April 2017
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:**	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provided FAO staff with a technical briefing on the OFHP • ENERGY provided feedback to FAO regarding its report on GA Refinancing • IESO to offer FAO separate meeting with KPMG (FAO declined)	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • March 31, 2017: Ministry submitted responsive materials • May 24, 2017: FAO report to be provided to MO on Tuesday morning and be released on Wednesday at 9AM
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• IESO is producing a document to respond to AG questions – to be shared with TBS for review

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OEB has been asked by AG for all correspondence between all parties by June 2 • OFA has received similar request • ENERGY has received AG request for contracts and ToR for accounting advice (request to be re-directed to agencies) • ENERGY and other ministries have received additional/broader scope request from AG. Responses to be coordinated across ministries • AG meeting with IESO Board June 14. KPMG to attend • TBS to follow-up on whether AG met with large audit firms and outcome	
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • Bill inserts will be ready for July 1 with bill redesign to occur in the Fall	• Initial discussion on March 31, 2017

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Legislated Accounting Included in Bill 132, Including the Proposed *Ontario Fair Hydro Plan Act, 2017*

Submission to Standing Committee on Justice Policy

May 25, 2017

Office of the Auditor General of Ontario
20 Dundas Street W., Suite 1530
Toronto, Ontario M5G 2C2

Introduction[1]

It is not the role of the Auditor General to comment on government policy. The government's intent to borrow money to lower hydro bills by 25% is a policy decision, and therefore we have no comment on this. The purpose of this submission is to highlight our concerns about the accounting implications of the proposed Act. Through Bill 132 and its proposed *Ontario Fair Hydro Plan Act, 2017* (the proposed Act), the government is planning to provide a 25% price reduction to certain electricity consumers (ratepayers), while at the same time showing no, or minimal, effect on the annual operating results and financial position of the Province.

Legislated accounting prescribed by the proposed Act is designed to produce the following impacts on the Province's consolidated financial statements:

(1) an increase in provincial borrowings for a portion of the debt needed to fund the 25% electricity price reduction;

(2) an increase in the Province's investment in Ontario Power Generation (OPG), funded by provincial borrowings;

(3) no increase in provincial net debt as a result of the offset between (1) and (2) above;

(4) no expense impact on the Province's annual deficit; and

(5) an increase in revenues in the Province's consolidated financial statements from OPG for interest and fees that it received through OPG Trust.

The proposed Act legislates the creation of a deferred asset account in the Independent Electricity System Operator's (IESO) books. This deferral account would track the cost paid to contracted power

[1] This analysis uses information from Bill 132, the Financial Accountability Office of Ontario's Spring 2017 report titled *An Assessment of the Fiscal Impact of the Province's Fair Hydro Plan*, and applicable Canadian Public Sector Accounting Standards as at the date of this submission.

generators in excess of the amount recovered from electricity consumers (ratepayers) for electricity used. Payments to generators are currently being fully recovered from ratepayers on an ongoing basis.

The reduction of ratepayer bills by 25% results in a cash shortfall that will need to be covered by IESO. As a result of the 25% reduction in ratepayer bills, IESO will need a source of cash to pay the contracted power generators in accordance with the terms of their contracts. Potential sources of cash to finance this shortfall could be the sale of an asset, and debt. IESO has no assets to sell with respect to these contracts, as the generating equipment belongs to the third-party power generators, thereby removing the sale of assets as a source for cash. The proposed Act puts in place a debt-financing structure in order to flow cash to IESO, but the financing structure would show no increase in the Province's net debt.

In order to avoid recording an increase in net debt on the Province's consolidated financial statements, the proposed Act will create a legislated asset, representing IESO's cash shortfall. This legislated asset does not meet the definition of an asset under Canadian Public Sector Accounting Standards (PSAS). IESO does not control the future power generation of the third-party generators or the future benefit of the generating equipment past the term of the contracts. Moreover, IESO is not engaging in rate-regulated activities, and the contracts under its administration were never subject to rate regulation.

The proposed Act outlines that the legislated asset will be sold by IESO on a monthly basis to a "financing entity" (which it proposes will be OPG Trust, to be set up in accordance with subsection 22 (2) of the proposed Act) to be created by the "Financial Services Manager" (OPG, as appointed by section 18 of the proposed Act). The asset to be sold is the loss or the cash shortage that IESO will experience as a result of collecting less money from ratepayers through the local distribution companies, while still paying 100% of the amounts owed to the third-party power generators under contract. OPG Trust will purchase the legislated asset on a monthly basis, using cash sourced from a mix of provincial borrowing flowed through OPG, amounts advanced from OPG's debt, and direct borrowing from capital markets.

Proposed Legislated Transaction Structure
Prepared by the Office of the Auditor General of Ontario

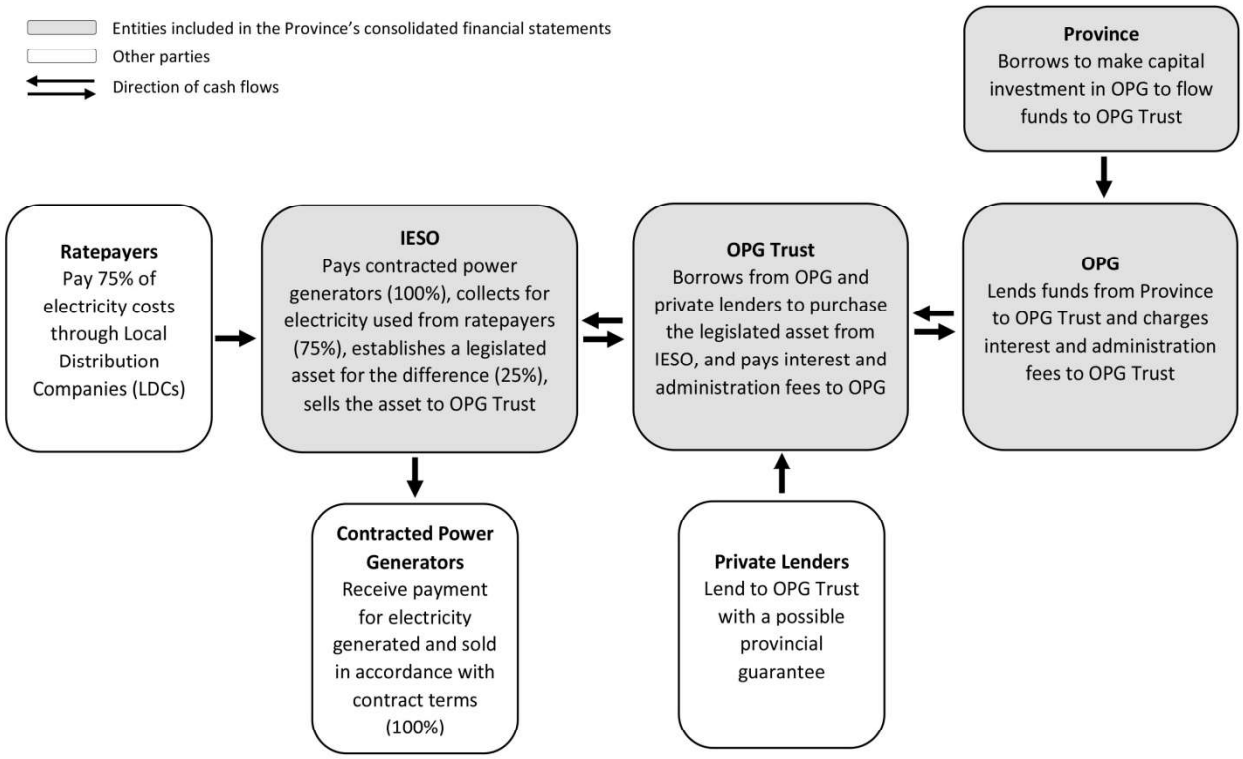


Illustration of Legislated Accounting Prescribed in the Proposed Act

The following illustrates how the proposed legislated accounting would impact the various entities that are included in the Province's consolidated financial statements.

For simplicity, we assume the following:[2]

- Ratepayer bill is $400, and the related 25% reduction is $100.
- The Province directly borrows 44%, or $44, to make an equity contribution to OPG, which OPG then loans to OPG Trust.
- OPG directly borrows 5%, or $5, and loans it to OPG Trust.
- OPG Trust directly borrows 51%, or $51, from capital markets.
- OPG controls OPG Trust for accounting purposes.

[2] These assumptions were chosen to make it easier to follow the transaction flow. Actual rates and percentages are yet to be determined.

IESO

IESO pays the contracted power generator $400 for electricity used by the ratepayer, collects $300 from the ratepayer through their local distribution company (LDC), and sets up a legislated asset of $100 for the recovery shortfall. IESO sells the legislated asset to OPG Trust for $100 to obtain cash to make up the shortfall. These amounts net to zero and therefore show no accounting impact for the recovery shortfall on IESO's bottom line once all of the transactions have been settled in cash.

OPG Trust

OPG Trust records $49 ($44 + $5) borrowed from OPG as a "Due to OPG" (loan payable) and $51 borrowed from private lenders as long-term debt. OPG Trust purchases the legislated asset from IESO for $100 and records it as an Intangible Asset. OPG Trust incurs administration fees paid to OPG and interest expense. These costs are added to the Intangible Asset balance.

OPG

OPG records $44 from the Province as an increase in equity and cash. OPG borrows $5 from its credit facilities. OPG lends $49 to OPG Trust and records a loan receivable from OPG Trust. OPG also records administration fee revenue per its agreement with OPG Trust. OPG earns administration fees and interest revenue from OPG Trust and incurs an interest expense.

OPG's Consolidated Results, Including OPG Trust

OPG's consolidated balances reflect an Intangible Asset of $100, a Loans Due to OPG/Loans Due from OPG Trust of $0 (due to intercompany elimination upon consolidation), an Equity increase of $44 from the Province, a Long Term Debt increase of $56, plus income relating to administration fees and net interest earned.

Province's Consolidated Financial Statements

There is no effect on the Province's net debt, as the Province's $44 of debt is offset by the Province's $44 increased investment in OPG. There is no annual expense effect on the Province's surplus or deficit from the consolidation of IESO due to the creation of the legislated asset. This is because the legislated asset closes the gap between the amount IESO pays to third-party power generators and the amount it collects from ratepayers. However, the Province's annual deficit is lowered by the amount of administration fees and net interest revenue earned by OPG.

Illustration Using Canadian Public Sector Accounting Standards

The following illustrates how the application of the Canadian Public Sector Accounting Standards would impact the various entities that are included in the Province's consolidated financial statements.

For simplicity, we make the same assumptions as in the previous section, that is:[3]

- Ratepayer bill is $400, and the related 25% reduction is $100.
- The Province directly borrows 44% to make an equity contribution to OPG, which OPG then loans to OPG Trust
- OPG directly borrows 5% and loans it to OPG Trust.
- OPG Trust directly borrows 51% from capital markets.
- OPG controls OPG Trust for accounting purposes.

IESO

IESO pays the contracted power generator $400 for electricity used by the ratepayer, collects $300 from the ratepayers through their local distribution company (LDC), and records $100 in expenses for the

[3] These assumptions were chosen to make it easier to follow the transaction flow. Actual rates and percentages are yet to be determined.

recovery shortfall. OPG Trust loans IESO $100 to make up the shortfall. IESO records $100 as Due to OPG Trust (loan payable) and shows an annual deficit of $100 resulting from the recovery shortfall.

OPG Trust

OPG Trust records $49 ($44 + $5) borrowed from OPG as a "Due to OPG" (loan payable) and $51 borrowed from private lenders as long-term debt. OPG Trust lends $100 to IESO and records this as a Due from IESO (loan receivable). OPG Trust incurs administration fees paid to OPG and pays an interest expense to OPG and private lenders. These amounts are expensed in OPG Trust's financial statements.

OPG

OPG records $44 from the Province as an increase in equity and cash. OPG borrows $5 from its credit facilities. OPG lends $49 to OPG Trust and records a loan receivable from OPG Trust. OPG also records administration fee revenue per its agreement with OPG Trust. OPG earns administration fees and interest revenue from OPG Trust and incurs an interest expense.

OPG's Consolidated Results, Including OPG Trust

OPG's consolidated balances reflect a "Due from IESO" of $100, a Loans Due to OPG/Loans Due from OPG Trust of $0 (due to intercompany elimination upon consolidation), an Equity increase of $44 from the Province, a Long Term Debt increase of $56, plus income related to administration fees and net interest earned.

Province's Consolidated Financial Statements

The Province's net debt and annual deficit increase by $100 as a result of the consolidation of IESO. This reflects the expenses that IESO incurs from the shortfall between what it collects from the ratepayer through their local distribution company and what it pays to the contracted power generator. It also

reflects IESO's loan payable balance for the cash borrowed by IESO from OPG Trust to fund the cash shortfall.

There is no effect on the Province's net debt from the consolidation of OPG. The $44 borrowed directly by the Province to provide equity funding to OPG is offset by a $44 increase to the Province's investment in OPG.

However, flowing provincial cash through a Government Business Enterprise (such as OPG) to lend to an Other Government Organization (such as IESO) is unusual. Under Canadian Public Sector Accounting Standards (PSAS), this flow would result in net debt being $100 higher (comprised of $144 in total debt offset by the Province's $44 investment in OPG) and total debt being $144 higher (comprised of the $100 IESO loan payable to OPG Trust, along with the $44 in provincial debt raised to fund the investment in OPG). Under PSAS, intercompany transactions between the Province and Government Business Enterprises are not eliminated upon consolidation. Therefore, the Province's $44 investment in OPG is not eliminated against the increased $44 equity balance reported in OPG's financial statements. This $44 anomaly will need to be addressed further. In addition, by flowing cash through OPG, the Province's annual deficit is lowered by the amount of administration fees and net interest revenue earned by OPG.

If the Province were to borrow directly, as is generally done, the total debt and net debt increase would be $100. As well, the Province's annual deficit would not be lowered by the amount of administration fees and net interest revenue earned by OPG.

Conclusion

Legislating the accounting treatment of a government policy does not necessarily mean that the impact of the policy decision will be fairly reflected in the Province's consolidated financial statements.

Accordingly, the Office of the Auditor General of Ontario will always provide an audit opinion to the Legislature and the citizens of Ontario based on whether the Province's consolidated financial statements fairly present Ontario's annual results and financial position in accordance with Canadian Public Sector Accounting Standards.

Updated: June 6, 2017

Regulations – Master List	
Social Programs	
• OESP O. Reg. 314/15 – amendments	Now tracking to June 27
• RRRP expansion to R2	In progress
• Distribution Rate Protection	Ready
• First Nation Rate Distribution	Ready
• Bill Presentment – require bill insert quarterly; prescribed messages; First Nations Delivery credit	Ready
GA Refinancing	
• Part II Reg.	In progress
• General Regulation	June 27
• O. Reg. 429/04 (GAM) – amendments	No longer required
• O. Reg. 280/14 (IESO Eligible Borrowing) – amendments	Ready
Other – Bill Presentment	
• O. Reg. 364/16 – repeal in part to remove 8% on bill and on envelope messaging; exempt Hydro One	COMPLETED
• O. Reg. 442/01 – remove RRRP messaging for Hydro One	Ready
• O. Reg. 275/04 – remove DRC message; exempt Hydro One	Ready

Outstanding Business Issues – Ontario Fair Hydro Plan

Briefing Note

PURPOSE

The following provides an overview of outstanding business issues that OPG and Ministry of Finance, in coordination with Energy are working through

BUSINESS ISSUES

1. **Provincial Support Agreement Term Sheet (Performance and Payment 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:**
     - Province will provide comments back to OPG on the draft term sheet, anticipated next week
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - Provincial staff, with OPG's concurrence, recommends minimizing, 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 from PILs the income arising to the OPG financing vehicle / OPG as a consequence of the Fair Hydro Plan
   - 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 MOF, OFA and OPG are working together to determine required regulation changes.
       Timing: A call with tax policy, OPG and Torys is set for early next week

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**
    - OPG will require equity injections on a monthly basis, to match the timing of the purchase of the IESO regulatory asset, as applicable, 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 a fiscally-neutral operating asset expenditure of $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:**
        - Finalize a draft term sheet
        - to serve as the basis for the Master Subscription Agreement between OPG/ENE and OFA
        - OFA and ENE to develop Service Level Agreement for monthly cash management services
        - Amendment to OPG articles required to facilitate issuance of new class of shares
        - Timing: OPG will require the ability to issue equity in August, so mechanics and agreements should be finalized in July

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.
    - There are two components to the management fee model proposed by OPG:
        - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes
        - Performance fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount
    - **Next Steps:**
        - OEB to provide comments on OPG's proposed framework.
        - Draft regulations enabling this fee structure in development in parallel
        - Timing: For incorporation into the June 27th regulations

5. **Subordinated Debt Loan Agreement**
    - OPG will lend the equity injection from the Province to the Fair Hydro Trust by way of subordinated debt
    - Based on monthly funding requirements of the GA asset, the Trust will use short term financing and take out bonds once short term funding reaches certain levels
    - OPG and OFA are working on a Debt Loan Arrangement that would establish the interest rates on the subordinated debt
    - **Next Steps:**
        - OPG and OFA will bring forward a recommended framework for determining interest rates
        - Timing: TBD

6. **IESO – Increased OFA Credit Facilities**
    - THE OPG financing entity is not expected to be immediately operational, so the IESO will need to have transitional financing in place to manage the difference in the payments to generators and other service providers vs payments from loads / LDCs
    - There may also be on-going monthly cash flow timing differences that the IESO will need a credit facility for
    - In addition, the OPG financing entity has the right to purchase the regulatory asset from IESO but is not required to purchase it
    - IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
    - **Next Steps:**
        - OFA is drafting a new agreement for a $2 billion credit facility for the OFA to lend funds to IESO for FHP purposes. Concurrently, the OFA is seeking the Minister's approval for an LRC submission to approve an OIC for an additional $2 billion in borrowing capacity, as well as a Directive from the Minister of Finance, which are both necessary for the OFA to lend funds to IESO under the requested new Credit Facility
        - Timing: The OIC is scheduled for the June 27, 2017 LRC meeting. The Directive and Credit Facility Agreement are currently being drafted, to be in place by July 1st, 2017

7. **OPG Indemnity**
    - OPG (and IESO) are asking for the Province to indemnify the IESO, OPG (the entities) and their respective directors, officers and employee in order to allow them to carry out their roles in implementing the Ontario Fair Hydro Plan and primarily the Global Adjustment refinancing
    - Indemnification will need to ensure separation between the Province and OPG is maintained

- **Next Steps:**
    - Staff in Ministry of Finance and Treasury Board Secretariat have received initial documents and are currently reviewing
    - Depending on the structure of the indemnity requested, an OIC may be required to provide authority to the Minister of Finance
    - Timing: If an OIC is required this would be included in the June 27th, 2017 submission in order for July 1 implementation

From: Ronald Kwan
To: John Kim; Bruno Amara
Cc: Gavin He
Subject: FW: Rate Mitigation Implementation Meeting - June 1, 2017
Date: Wednesday, May 31, 2017 10:41:25 PM
Attachments: Agenda_Weekly Rate Mitig Implmentation Group_June 1.docx
2017 05 31 Outstanding Business Issues Ontario Fair Hydro Plan - v03.docx
Consolidated - OFHP Matrix - Week of May 29 Clean.docx

Hi,

See attached.

Ron

-----Original Message-----
From: Gadi Mayman
Sent: May-31-17 7:23 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - June 1, 2017

Original Message
From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, May 31, 2017 7:03 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: Rate Mitigation Implementation Meeting - June 1, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
June 1, 2017

Agenda

1) GA Refinancing
    - Committee Debrief (LSB)
    - Regulation Drafting (Energy / All)
    - Critical Paths (OPG / IESO / OEB)
    - Comparison of Clean Energy Adjustment to Debt Retirement Charge (OFA)
    - Draft Provincial Guarantees for Dealers (OPG/OFA)
    - Business Item (OPG/IGS)

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

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. **Provincial Support Agreement Term Sheet (Performance and Payment 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 have discussed a draft term sheet and the OFA, MOF and Blakes will work together to provide comments
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July.

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - Provincial staff, with OPG's concurrence, recommends minimizing, 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 from PILs the income arising to the OPG financing vehicle / OPG as a consequence of the Fair Hydro Plan.
   - 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 MOF, OFA and OPG are working together to determine required regulation changes.
     - Torys prepared a memo on the item
     - Timing: MOF will be setting up a call with tax policy, OPG and Torys to discuss a memo Torys prepared on the item in the next few days

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**
    - OPG will require equity injections on a monthly basis, to match the timing of the purchase of the IESO regulatory asset, as applicable, 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 a fiscally-neutral operating asset expenditure of $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:
        - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
        - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount.
    - **Next Steps:**
        - OPG and OEB will bring forward a recommended framework for developing management fees.
        - Timing: TBD

5. **Subordinated Debt Loan Agreement**
    - OPG will lend the equity injection from the Province to the Fair Hydro Trust by way of subordinated debt

- Based on monthly funding requirements of the GA asset, the Trust will use short term financing and take out bonds once short term funding reaches certain levels
- OPG and OFA are working on a Debt Loan Arrangement that would establish the interest rates on the subordinated debt
- **Next Steps:**
    - OPG and OFA will bring forward a recommended framework for determining interest rates
    - Timing: TBD

6. IESO – Increased OFA Credit Facilities

- THE OPG financing entity is not expected to be immediately operational, so the IESO will need to have transitional financing in place to manage the difference in the payments to generators and other service providers vs payments from loads / LDCs.
- There may also be on-going monthly cash flow timing differences that the IESO will need a credit facility for.
- In addition, the OPG financing entity has the right to purchase the regulatory asset from IESO but is not required to purchase it.
- IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
- **Next Steps:**
    - OFA is drafting a new agreement for a $2 billion credit facility for the OFA to lend funds to IESO for FHP purposes. Concurrently, the OFA is seeking the Minister's approval for an LRC submission to approve an OIC for an additional $2 billion in borrowing capacity, as well as a Directive from the Minister of Finance, which are both necessary for the OFA to lend funds to IESO under the requested new Credit Facility.
    - Timing: The OIC is scheduled for the June 27, 2017 LRC meeting. The Directive and Credit Facility Agreement are currently being drafted, to be in place by July 1st, 2017

7. OPG Indemnity

- OPG (and IESO) are asking for the Province to indemnify the IESO, OPG (the entities) and their respective directors, officers and employee in order to allow them to carry out their roles in implementing the Ontario Fair Hydro Plan and primarily the Global Adjustment refinancing.
- Indemnification will need to ensure separation between the Province and OPG is maintained
- **Next Steps:**

- Staff in Ministry of Finance and Treasury Board Secretariat have received initial documents and are currently reviewing.
- Depending on the structure of the indemnity requested, an OIC may be required to provide authority to the Minister of Finance
- Timing: If an OIC is required this would be included in the June 27th, 2017 submission

Implementation of Ontario's Fair Hydro Plan
Week of May 29, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> **Legislation and Regulations Drafting / House Prep:** • Leg Counsel finalizing legislation • LSB working on: o Committee motions – Ministry working on motions. Ministry to finalize motions by noon May 29 to deliver to Clerks by 6 pm. o Regulations – 2 parts (mid and late June). Note: OPG has sketched out what it may require in regulation. Regulation tracking for direct to Cabinet on June 14th (TBC) o Indemnities for OPG and IESO Board members to be in place around Royal Assent o Ministry to work with OPG/OEB/IESO on regulations • Ministry to follow up with stakeholder on rate cap • Blakes and LSB to work with MAG on any constitutional law issues – ongoing • MO to work with MOF/TBS MOs to request their Ministers for house debate (Week May 15, 2017) • Agencies (OPG/IESO/OEB) to provide critical paths for the next meeting • OFA to have comparison of Clean Energy Adjustment to DRC (ready by end of week) • TBS to connect with OFA to determine if it ready to share with IESO **TBS, LRC and Cabinet:** • Ministry working on approval documents for Minister signature	• Approval dates: o TB – May 9 2017; and o LRC/Cabinet – May 10, 2017 • Legislation / House dates: o Legislation introduction – May 11, 2017 o Opposition Briefing (TBD) o Debate – Week of May 15, 2017 o Committee/Public Hearings – Week of May 23, 2017 o Committee/Clause by Clause – Week of May 29, 2017 • Regulations – June 2017 • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	for end of week: o LRC / Cabinet Submission on OFH Legislation o TB/MBC Report Back – GA refinancing, Social programs and ICI. Note: TB looking for variability risk analysis for Social programs o TBS to draft a chart with report backs o TBS to look at more streamlined approval process (Cabinet sitting as TB, LRC) o Ministry to share drafts by end of week • Ministry working with Navigant to prepare a report on long lived assets and associated assessment of value. Interim report expected mid-May, followed by final report in June • OPG and IESO's independent accounting work is complete: • OPG memo and E&Y accounting opinion has been delivered to Ministry • IESO has finalized KPMG's work • Agencies are each working a one page summary that could be released publically • OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge • Indemnities for Boards are tracking forward to be in place when legislation comes into force • Guarantees for dealers are still being explored and to be done in conjunction with rating process **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market (OPG expected to go to market September/October) – IESO/OPG to work together on outstanding issues regarding OPG cash flows • OPG to confirm proposed tax status of the Special Purpose Vehicle (SPV)	

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July. Documents will include commentary on credit worthiness. Potential engagement of Moody's/S&P/DBRS • OPG to draft terms of guarantee to dealers (which will be presented to dealers) • Ministry to work with OPG to ensure alignment with OPG internal report for its Board • MOF, Energy and OPG work on equity injection mechanics, approvals and valuation approach • OPG undertaking modelling, but initial borrowing amount will come from formula in legislation. • Ministry draft assurances / indemnification for Board member and Shareholder Resolution re articles of incorporation/borrowing (Timing TBD) • OPG to meet with OAG next Thursday (TBC) • OPG on track with Board meeting on May 12 to approve recommendation • OPG guarantees won't be negotiated until a later stage and guarantee for market disruption is still in play **IESO:** • IESO to discuss LDC issues with OEB • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO memo and KPMG accounting opinion has been delivered to Ministry • Ministry draft assurances / indemnification for Board member • IESO is producing a document to respond to AG questions – to be shared with TBS for review • IESO letter went to OFA to request $2.5B total credit **OEB:** • OEB continues to work through drafting issues with LSB (e.g., role in review of admin costs, timing of revised RPP, why there needs to be an OEB objective) • OEB's cannot reset prices until regulation is public, but work	

Item	Key Deliverables / Considerations	Timing / Next Steps
	will happen in the background to ensure a common understanding of regulations <u>Considerations</u> • Ongoing financing, accounting and legal risk assessments. • OPG needs to have regulations finalized to move forward on ratings process • OEB needs regulations to move forward with pricing, which is on track for June 22	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	<u>Recent Action Items</u> • SNAP convened LDC WG May 18th to discuss bill presentment and SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each • Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases • Ministry working with LDCs to finalize program design <u>Considerations</u> • Staff working on regulations with LSB • Staff intending to share drafts of the regulations once created with OEB and IESO policy/legal staff •	• Approval dates: o Cabinet June 14th • Legislation / House dates: ~~o~~ Legislation introduction – o Committee/Clause by Clause – Week of May 29, 2017 • Regulations – June 2017 • Implementation of expanded program and reduction in RRRP charge is targeted for July 1 2017
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	<u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • OEB removed OESP from bill as of May 1.	• Approval dates: o TB – May 9 2017; and o LRC/Cabinet – May 10, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
	• SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes • Ministry to meet with MCSS regarding taking over OESP administration • Ministry received final legislation, which includes information sharing provision with MCSS <u>Considerations</u> • Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise. • Positive progress with OEB on implementation: o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts; o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100 million) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Legislation / House dates: o Legislation introduction – May 11, 2017 o Opposition Briefing (TBD) o Debate – Week of May 15, 2017 o Committee/Public Hearings – Week of May 23, 2017 o Committee/Clause by Clause – Week of May 29, 2017 • Regulations – June 2017 • Enhanced benefits and removal of OESP charge will take effect in May 2017
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC	• Approval dates: o TB – May 9 2017; and o LRC/Cabinet – May 10, 2017 • Legislation / House dates: o Legislation introduction – May 11, 2017 o Opposition Briefing (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Ministry finalizing process for eligibility and working with COO to communicate FNDC • Letter being drafted by Regional Chief Day tracking for week of May 29. • Ministry met with COO on April 26, 2017 and May23rd regarding FN Rate implementation <u>Considerations</u> • Eligibility will be for First Nation on Reserve consumers who are receiving HST exemption to be automatically qualified for the Delivery credit. • Staff working with COO on a communication strategy • LDCs have been made aware of the eligibility requirement and indicate they can do this quickly/easily. • Work with LDCs on implementation details that need to be legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. •	o Debate – Week of May 15, 2017 o Committee/Public Hearings – Week of May 23, 2017 o Committee/Clause by Clause – Week of May 29, 2017 • Regulations – June 2017 • Introduction of FNDC program targeting July 1 2017
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • Affordability Fund advisory committee reached consensus on three LDCs + two social agencies to be represented on Trust Board (Ottawa Carleton UW / Advocacy Centre for Tenants Ontario (ACTO) / Thunder Bay Hydro / Hydro One / Alectra) • ACTO declined the invitation to participate on the Board of Trustees due to other demands/priorities. The advisory committee is contacting the Neighbour to Neighbour Centre to invite a representative to participate on the Board. . Response pending. • In its administrative capacity, Hydro One is preparing	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes **June 2017:** • Report back to TB/MBC with final program details and a performance management

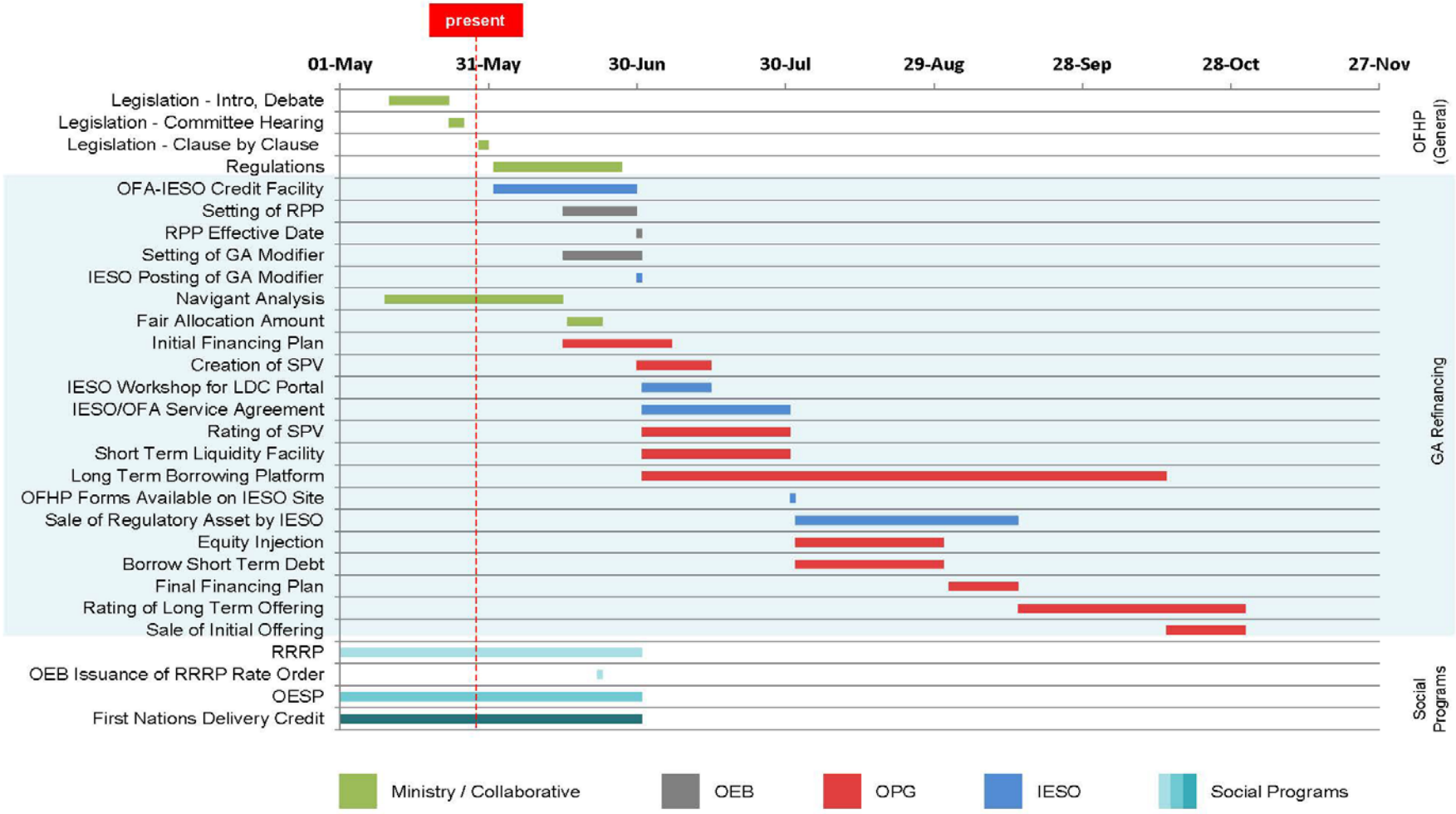
Item	Key Deliverables / Considerations	Timing / Next Steps
	documentation to replace Computershare, as the original trustee, with the Board of Trustees. Hydro One is also developing back office support and preparing recommendations for the first meeting of the Board of Trustees. Considerations • Legislative changes not required.	framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ministry promoting value of ICI (i.e., at upcoming OCC Annual General meeting) – OCC educational outreach work underway. • Ministry discussing with CME ongoing Considerations • Ongoing outreach with LDCs being undertaken by IESO.	• Report back to TB/MBC on May 9, 2017 • Effective April 2017
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	IESO: • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills).	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	• ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provided FAO staff with a technical briefing on the OFHP • ENERGY provided feedback to FAO regarding its report on GA Refinancing • IESO to offer FAO separate meeting with KPMG (FAO declined)	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • March 31, 2017: Ministry submitted responsive materials • May 24, 2017: FAO report to be provided to MO on Tuesday morning and be released on Wednesday at 9AM
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• IESO is producing a document to respond to AG questions – to be shared with TBS for review

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OEB has been asked by AG for all correspondence between all parties by June 2 • OFA has received similar request • ENERGY has received AG request for contracts and ToR for accounting advice (request to be re-directed to agencies)	
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • Bill inserts will be ready for July 1 with bill redesign to occur in the Fall	• Initial discussion on March 31, 2017

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

0

From: Ronald Kwan
To: Scott Nelms (ENERGY)
Subject: FW: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 5:58:02 PM
Attachments: 2017 07 07 Business Issues v01.docx
2017-07-07 Consolidated - OFHP Matrix - Week of July 26_Clean.docx
Agenda_Weekly Rate Mitig Implmentation Group_July 27.docx

Hi Scott,

The Business Issues document cites timeframes for the Provincial Support Agreement and the equity injection (language or documents, respectively) as finalised by the end of July. Is that on-track? I have not seen any further discussions on the support agreement since the meeting at Tory's. Has there been a lot of progress on the language.

Also, the MO was asking last week if the Minister would need to sign or approve something with respect to the support agreement (e.g., a guarantee, s.28 approval) in the coming month or so. As you know, the Minister will have limited availability in parts of the summer.

Thanks,
Ron

From: Gadi Mayman
Sent: July-26-17 09:39
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - July 27, 2017

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, July 26, 2017 9:23 AM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT''; Gadi Mayman; 'LEE John -TREASURY''; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,

Martin

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet **Timing:** Language finalized by end of July
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Draft Term Sheet • Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to provide comments on Master Subscription Agreement • OPG / OFA / Energy to develop other agreements and revise OPG Articles **Timing**: Documents finalized at end of July
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• OPG to consider value of comfort letter • MOF legal to draft regulation (consider broad vs. narrow) **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: TBD

Implementation of Ontario's Fair Hydro Plan
Week of July 24, 2017

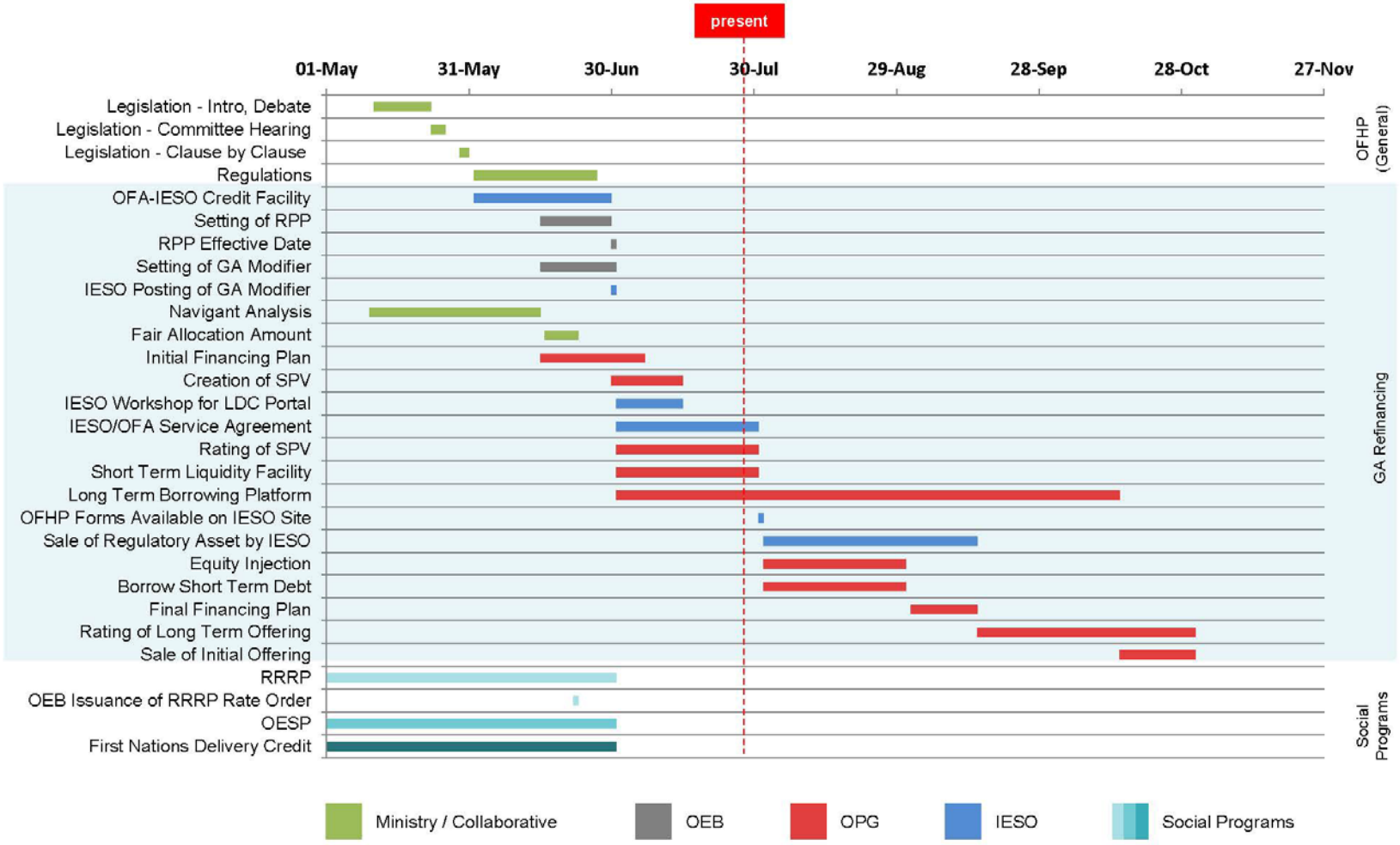
Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Guarantees (i.e., performance / payment, term sheet) o Management Fees Regulation o Interest Collection During the Inflationary Cap Period o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • Summer – TB/Cabinet Approval and s.28 Approval Provincial Guarantees (TBD) • Summer / Fall – OPG Financing (TBD)
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	<u>Recent Action Items</u> • Ministry working with LDCs to finalize program design	• TBD

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	<u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes • Ministry continues to work with MCSS on OESP automatic enrollment, which is tracking for September at earliest	• July 26, 2017 – MCSS going to TB
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • Ministry working with Chiefs on First Nations Delivery Credit (FNDC), with Chiefs expecting to table and pass a resolution next week on who receives credit • Ministry finalizing process for eligibility and working with COO to communicate FNDC • Letter being drafted by Regional Chief Day tracking for week of May 29 • Ministry met with COO on April 26 and May23 regarding FN Rate implementation	• TBD
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity	**Summer 2017:** • LDCs begin to apply to the Trust for funds **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Hydro One, in its administrative capacity, is developing back office support and preparing recommendations for the first meeting of the Board of Trustees	framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	<u>Recent Action Items</u> • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records	• Summer – Responding to AG Request (Ongoing)
7) Bill Presentment (SNAP/LSB)		
• ENERGY	<u>Recent Action Items</u> • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	<u>Recent Action Items</u> • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC

Item	Key Deliverables / Considerations	Timing / Next Steps
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
July 27, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Draft Provincial Guarantees for Dealers (OFA/OPG)
    - Business Item (OPG/IGS)

2) AG Update

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From: Ronald Kwan
To: John Kim
Cc: Gavin He
Subject: FW: Rate Mitigation Implementation Meeting - May 18, 2017
Date: Friday, May 19, 2017 1:22:18 AM
Attachments: Action Items_May 18.docx

Hi John,

Note the point on "OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge."

Ron

From: Gadi Mayman
Sent: May-18-17 8:16 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - May 18, 2017

I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.

Gadi

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair';

'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – May 18

1) GA Refinancing
    - Ministry working on motions which need to be filled a week from today. Draft motions to be shared early next week.
    - Ministry also working on regulations for mid and end of June timelines
    - OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July
        - Documents will include commentary on credit worthiness
        - Potential engagement of Moody's/S&P/DBRS
    - Agencies (OPG/IESO/OEB) to provide critical paths for the next meeting
    - OPG to go to the market in Sept/Oct
    - IESO letter went to OFA to request $2.5B total credit
    - IESO expecting purchase and sale agreement by end of June
    - IESO memo and KPMG accounting opinion has been delivered to Ministry
    - OPG memo and E&Y accounting opinion has been delivered to Ministry
    - IESO is producing a document to respond to AG questions – to be shared with TBS for review
    - IESO to offer FAO separate meeting with KPMG (FAO declined)
    - FAO report to be provided to MO on Tuesday morning and be released on Wednesday at 9AM
    - OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge
    - Indemnities for Boards are tracking forward to be in place when legislation comes into force
    - Guarantees for dealers are still being explored and to be done in conjunction with rating process
        - Time is required to appropriately brief decision makers
        - OPG to provide draft version of Term Sheet to Ministry of Energy

2) Other OFHP Initiatives
    - RRRP, OESP and FN:
        - Ministry working on regulation details
        - OESP regulations will be the focus of the post-July 1 work stream
        - Products for both June 14
        - Ministry working with 5 Chiefs to determine the qualification of FN rebate based on existing processes
        - Ministry working to minimize number of individuals who qualify for credits but don't receive them on July 1
        - OEB calculation needs to be completed 15 business days from Royal Assent
    - Affordability Fund:
        - Waiting for social service agencies to respond
    - ICI:
        - No update

3) A Plan for Monitoring / Oversight
    - Ministry to develop implementation road map to track and ensure alignment of different work streams

From:	Ronald Kwan
To:	John Kim; Emily Kerr; Bruno Amara
Cc:	Gavin He
Subject:	FW: Rate Mitigation Implementation Meeting - March 30, 2017
Date:	Thursday, March 30, 2017 5:11:20 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_March 30.docx Consolidated - OFHP Matrix - March 27 (3).docx

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And this one too, please.

Thanks,
Ron

From: Gadi Mayman
Sent: March-29-17 23:13
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Christina Zhang <Christina.Zhang@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - March 30, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Wednesday, March 29, 2017 5:15 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com
Subject: Rate Mitigation Implementation Meeting - March 30, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca

4th Floor, Hearst Block, 900 Bay Street

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
March 30, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) Affordability Fund (CRED)

3) RRRP, OESP and FN (SNAP)
    - Mechanics and timing of moving RRPP from ratebase to taxbase

4) ICI (ESPD)

5) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of March 27, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation: o Defining mitigation and recovery mechanism; and o Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg.429/04) • Shareholder Declaration and Resolution • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market • OPG to embed OFA/Energy (as necessary) in their ongoing	• AG briefing on April 19, 2017 (TBD) • Provide comfort level to allow OEB to include in May 2017 RPP • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution / declaration. OPG to continue to consider requirements for enhanced indemnification for Board member **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes will continue to work through legislative drafting issues • LSB to consider contempt of legislature issue • Legislation to be complete April 17, 2017, first draft to be available for review week of March 27, 2017 <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	

Item	Key Deliverables / Considerations	Timing / Next Steps
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 • Fall 2017 implementation (per Cabinet Minute)
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • Board decision this week on removing OESP from bill as of May 1. <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% +	• Report back to TB/MBC by Spring 2017 • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	new eligibility – Potentially early Spring. • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. Currently engaging OEB. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 17: ENERGY received $100M in CRED's Green Energy Initiatives TP line • March 23 and 24: Trust Deed and TPA executed. Process to transfer funds underway <u>Considerations</u> • Legislative changes not required. • Funding needs to flow to the Trust prior to March 31, 2017.	**April to May 31 2017:** • Advisory Committee recommends Board of Trustees; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust.

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP to consider providing support to CME • ESP to consider implications of dropping below 500kw threshold due to investments in conservation <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 15, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • Report back to TBC/MBC by spring 2017 (per TBC/MBC Minute) • LRC on April 10, 2016 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in spring 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • Ministry preparing responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion on April 19, 2017 (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment	• Initial discussion on March 31, 2017

From:	Ronald Kwan
To:	John Kim; Emily Kerr; Bruno Amara
Cc:	Gavin He
Subject:	FW: Rate Mitigation Implementation Meeting - March 30, 2017
Date:	Thursday, March 30, 2017 5:10:46 PM
Attachments:	Action Items March 30.docx

Hi,

Please review. Any comments?

Ron

From: Gadi Mayman
Sent: March-30-17 16:34
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - March 30, 2017

Different parts of this that each of you may be interested in. If you have any questions after you've read it, please let me know and I can fill in the blanks.

Gadi

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Thursday, March 30, 2017 4:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'

<sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com

Subject: RE: Rate Mitigation Implementation Meeting - March 30, 2017

Good afternoon,
Please find attached the action items from this morning's meeting.
Keley

From: Katona, Keley (ENERGY)
Sent: March-29-17 5:15 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; catriona.king@opg.com
Subject: Rate Mitigation Implementation Meeting - March 30, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

Action Items – Thursday March 30, 2017

1) GA Refinancing
   - ENERGY / Blakes / IESO / OEB / OPG / OPCD to meet on Tuesday to work through issues related to legislation
   - LSB / Blakes to brief OPCD on legislation
   - KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions
   - Blakes / OPG to work through financing issues related to 10% cap
   - Blakes / LSB to work with MAG on a second constitutional law opinion from Peter Hogg
   - TD being engaged through OFA to provide financial advice
   - ESP to make presentation on GA financing at upcoming IESO Board meeting
   - OEB to continue to work with Ministry LSB on comfort letter / OEB doesn't need letter until mid-April
2) Affordability Fund
   - Briefing being scheduled for advisory committee
   - Trust will establish process for accessing funds by Summer
3) RRRP / OESP / FN Rate
   - SNAP working on LRC materials for OESP tracking to April 10 LRC
   - SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes
   - SNAP meeting with OEB / MCSS on options for automatic enrolment
   - SNAP to sit down with COO next week on FN Rate
   - SNAP to review Toronto Hydro issues
4) ICI
   - ESP working on LRC approval package tracking to April 10 LRC
   - Outreach with OCC / CME ongoing
5) Other items
   - LSB to draft memo to LDCs letting them know about legislative issue related to advertising

From: Gadi Mayman
To: Mike Manning; Ronald Kwan; Ken Kandeepan
Cc: Christina Zhang; Gavin He
Subject: FW: Rate Mitigation Implementation Meeting - March 30, 2017
Date: Thursday, March 30, 2017 4:34:10 PM
Attachments: Action Items_March 30.docx

Different parts of this that each of you may be interested in. If you have any questions after you've read it, please let me know and I can fill in the blanks.

Gadi

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Thursday, March 30, 2017 4:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken -FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
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To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine

Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; catriona.king@opg.com
Subject: Rate Mitigation Implementation Meeting - March 30, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

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From:	Ronald Kwan
To:	John Kim; Emily Kerr
Subject:	FW: Rate Mitigation Implementation Meeting - March 23, 2017
Date:	Thursday, March 23, 2017 5:05:17 PM
Attachments:	Rate Mitigation Implementation Action Items March 23.docx

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From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Thursday, March 23, 2017 4:39 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
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Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Please find attached action items discussed at today's meeting.

From: Katona, Keley (ENERGY)
Sent: March-22-17 2:08 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'catriona.king@opg.com'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Sarah Branco'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Turnevicius, Lorraine'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca
Subject: Rate Mitigation Implementation Meeting - March 23, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

Action Items – March 23rd, 2017

1) GA Refinancing
    - AG briefing on April 19, 2017
    - Legislative Drafting
        - Legislation to be complete by April 17 , drafting instructions are in circulation
        - OPG to undertake modelling on assets / determine whether rating agency risk to proposed structure
        - OPG / IESO to determine who will finance / hold the asset until it goes to the market
    - OPG Update
        - OPG / LSB continue to work on shareholder direction / resolution
        - OPG continues to work on indemnification of Board issue
        - OPG to embed OFA/ENERGY (as necessary) in their ongoing internal discussions
        - OPG, ENERGY and IESO to continue discussions around refining refinancing modelling
    - IESO Update
        - IESO to discuss LDC issues with OEB
        - IESO to work through legislation / accounting opinion
    - OEB Update
        - OEB decision this week on removing OESP from bill as of May 1st
        - OEB to work with ENERGY to finalize RPP comfort letter
2) Affordability Fund
    - No follow ups, except that everything is on track to be finalized for this week
3) RRRP / OESP / FN Rate
    - OESP reg to continue to track to April 10th LRC
    - MOF / OEB / ENE continues to work with CRA on "wet signature"
    - OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation
4) ICI
    - ICI to continue to track to April 10th LRC / materials being finalized
    - TPA being finalized with OCC / discussions ongoing with CME
    - ESP to continue to meet with MEDG / MOECC / MOL on broader issues for business
5) Other items
    - Ministry to begin work on bill presentment / add as agenda item for next week

From: Hresa Gavaris
To: Ronald Kwan
Subject: FW: Rate Mitigation Implementation Meeting - March 23, 2017
Date: Wednesday, March 22, 2017 3:17:24 PM
Attachments: Consolidated - OFHP Matrix - Week of March 20.docx
Agenda_Weekly Rate Mitig Implmentation Group_March 23.docx

-----Original Message-----
From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Wednesday, March 22, 2017 2:43 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Hresa Gavaris <Hresa.Gavaris@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - March 23, 2017

Sorry, will add you to the next round of distribution.

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Wednesday, March 22, 2017 2:07 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); catriona.king@opg.com; Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); 'Sarah Branco'; Campbell, Bruce (bruce.campbell@ieso.ca); Turnevicius, Lorraine; Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca
Subject: Rate Mitigation Implementation Meeting - March 23, 2017

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4th Floor, Hearst Block, 900 Bay Street

Implementation of Ontario's Fair Hydro Plan
Week of March 20, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		

• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation:
	  o Defining mitigation and recovery mechanism; and
	  o Establishing roles for IESO, OPG and OEB
	• Regulation (amend O.Reg.429/04)
	• Shareholder Declaration and Resolution
	• Third Party Technical Report re Long Lived Assets (TBD)
	• Accounting opinions from E&Y (OPG) and KPMG (IESO)
	• Financing:
	  o IESO line of credit to bridge from May-July;
	  o OEFC to OPG equity injection structure; and
	  o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc)
	
	<u>Recent Action Items</u>
	
	OPG:
	• OPG to continue to work with lead banks / rating agencies / OFA on financing issues
	• OPG to confirm accounting if OFA were to act as lead on borrowing
	• ESPD and IESO work with OPG in the development of OPG's detailed financial model, by providing details related to modeling/forecasting assumptions, customer data, etc
	• OPG special Board committee to meet on March 17, 2017
	• OPG to work through requirements / help draft a shareholder resolution / declaration and consider requirements for enhanced indemnification for Board member
	
	IESO:
	• IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions)
		• Report back to TBC/MBC by spring 2017, prior to going to LRC with any legislation, on the approach to refinance GA (per TBC/MBC Minute)
		
		• Report to TBC/MBC, LRC and Cabinet in spring 2017 (per Cabinet Minute)
		
		• Provide comfort level to allow OEB to include in May 2017 RPP
		
		• Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	• IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available **OEB:** • OEB to draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 • OEB to issue OESP orders in early April **Legislative Drafting:** • LSB / Blakes will continue to work through legislative drafting issues • LSB to consider contempt of legislature issue <u>Considerations</u> • GA refinancing legislation could also include legislative changes to enable broadening of RRRP, expanding of OESP and establishing of FN delivery credit. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income. • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP to convene first RRRP sub-committee meeting next week • SNAP to continue to monitor rate hearings for RRRP LDCs <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure	• LDC working group kick-off March 14, 2017 • Report back to TB/MBC by Spring 2017 • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with CRA on OESP wet signature and provide MO with what is needed from CRA for CoS meeting with PMO this week / SNAP also to engage with MOF <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% + new eligibility – Potentially early Spring. • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. Currently engaging OEB. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC by Spring 2017 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP to move forward with including COO in FN rate implementation / work through implementation issues <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, TBS, MOF and H1	• TBC/MBC Submission • Trust Structure • Transfer Payment Agreement (multi-party) <u>Recent Action Items</u> • Blakes to review draft TPA and Trust deed • Tracking to have TPA / other documents finalized by end of next week • CRED to work with Hydro One on appropriate representation for the Trust Board, including social serve agency representation <u>Considerations</u> • Legislative changes not required. • Funding needs to flow to the Trust prior to March 31, 2017.	• Ongoing engagement with Hydro One, LSB, Blakes on development of Transfer Payment Agreement (TPA) and Trust Declaration • Identification of Advisory Committee Members to recommend Trustees for appointment by the interim Trustee (Computershare) • Execute TPA between the Ministry and the Trust on March 23rd

Item	Key Deliverables / Considerations	Timing / Next Steps
		• Funds to flow by March 28, 2017 **April to June 2017:** • Appointment of Trustees; Trust develops further details (e.g., customer eligibility criteria and processes for LDCs to apply for funds; to be developed in consultation with LDCs) **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 • Communications to finalize TPA with OCC / ESP to consider providing support to CME • ESP to work with other ministries regarding other measures that can be considered for SMEs • ESP to consider implications of dropping below 500kw threshold due to investments in conservation	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • Report back to TBC/MBC by spring 2017 (per TBC/MBC Minute) • LRC on April 10, 2016 • Effective April/May 2017 (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
	Considerations • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 15, 2017). • Working with the Ontario Chamber of Commerce on a targeted outreach campaign. • Ongoing outreach with LDCs being undertaken by IESO	
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) Considerations • Opportunity to highlight Market Renewal in the next LTEP. • IESO's stakeholder engagements on Market Renewal is ongoing. • Moving away from a two schedule system could impact consumer prices depending on implementation. • Most of the savings accrue from the move to a capacity auction. These savings do not materialize until the province has capacity requirements.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in spring 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • Ministry preparing responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion on April 12, 2017 (TBD)

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
March 23, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) Affordability Fund (CRED)

3) RRRP, OESP and FN (SNAP)

4) ICI (ESPD)

5) Action Items and Next Steps

Notes:

From:	Anna Strathy
To:	Ronald Kwan
Cc:	Gavin He
Subject:	FW: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Monday, May 29, 2017 11:24:35 AM
Attachments:	Action Items_May 25.docx ATT00001.htm

Hi Ron,

Gadi suggested that you attend the rate mitigation meeting on Thursday morning to speak to this action item from last week: "comparison of Clean Energy Adjustment to DRC".

Thanks, Anna

From: Gadi Mayman
Sent: Thursday, May 25, 2017 7:55 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** May 25, 2017 at 11:34:30 PM GMT+1
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>, "'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'" <maryanne.aldred@ontarioenergyboard.ca>, "'Campbell, Bruce (bruce.campbell@ieso.ca)'" <bruce.campbell@ieso.ca>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>

Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'sarah.branco@ontarioenergyboard.ca'" <sarah.branco@ontarioenergyboard.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Thompson, Erin (ENERGY)" <Erin.Thompson@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi everyone,

Please find attached the action items from today's meeting. For any items that require providing materials for next week's meeting, please send them to me in advance by end of day Tuesday. I will ensure hard copies are available at the meeting.

For next week it would be helpful to receive materials for the following items:

- Critical paths from OPG, IESO and OEB
- OFA's comparison of the Clean Energy Adjustment with the DRC
- Draft Provincial Guarantees for the dealers from OPG

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 25, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – May 25

1) GA Refinancing
    - Ministry to finalize motions by noon today to deliver to the Clerks by 6pm
    - Ministry on track for package on June 14 and second package later in June
        - Ministry to work with OPG/OEB/ISEO on regulations
    - TBS to draft a chart with TB report backs
        - There is a requirement to go back to TB on details of regulations before proceeding to LRC
        - TBS to look at more streamlined approval process (Cabinet sitting as TB, LRC)
    - OPG, IESO, OEB to develop more detailed individual workplans to align with overall workplan
    - OPG has workplan for working group that it can table every week
    - OPG needs to have regulations to be finalized to move forward on ratings process
    - OEB also needs regs to move forward with pricing, which is on track for June 22
    - IESO working on responses for their Board related AG comments
    - OEB was asked yesterday by AG for all correspondence between all parties by June 2
        - OFA received a similar request
    - OFA to have comparison of Clean Energy Adjustment to DRC ready by end of next week
        - TBS to connect with OFA to determine if it is ready to share with IESO

2) Other OFHP Initiatives
    - RRRP, OESP and FN:
    - Ministry finalizing process for eligibility and COO working to communicate First Nation Delivery credit
    - Letter being drafted by Regional Chief Day tracking for next week
        - Ministry finalizing distribution of components remaining on the rate base
        - Minister could provide letter to legislators to clarify that social programs are ongoing
    - Affordability Fund:
        - Advisory Committee reaching out to another social services agency candidate

From: Gadi Mayman
To: Ronald Kwan; Ken Kandeepan
Cc: Anna Strathy; Usman Zahid
Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Tuesday, October 31, 2017 3:53:33 PM
Attachments: 2017 Outstanding Business Issues - Week of Oct 30 - ENE.DOCX
2017-10-27 OFHP Matrix - Week of Oct 31_Clean.docx
Agenda_Weekly Rate Mitig Implmentation Group_ Oct 31.docx

-----Original Message-----
From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, October 31, 2017 3:52 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <SOM.Adam.Feather@ontario.ca>; Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Patrick Laughton (MOF) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Provincial Protection and Assurance Agreement	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• MOF / ENE to finalize Protection Agreement based on Term Sheet approved by TB/CAB. **Timing:** In advance of OPG Board Meeting on November 13, 2017
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / ENE to determine required monthly process and sign-off mechanism **Timing:** October for internal provincial mechanism
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation (currently with MOF for review) **Timing:** Fall for regulation
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: Fall
OPG Management Fees / OPG Fees and Interest Recovery	• OPG is allowed to charge a management fee for its services, which will account for the amount of debt issued, OPG performance, fees charged for comparable services, and ensure OPG operates on a commercial basis.	• Amendments to Ontario Regulation 206/17 (General) • Amendments to O. Reg. 206/17 (General)	• ENE, OPG, OEB and OFA finalized regulatory amendments to enable OPG to establish and charge fees in its role as Financial Service Matter (FSM), provide a methodology for the calculation of those fees and define the role of the OEB in reviewing and approving those fees • Regulatory amendments were also finalized to enable the FSM to recover fees and interest amounts from IESO

	• OPG accounting advice that interest and fees must be recovered during "inflationary cap" period for GA Refinancing to proceed as planned under the OFHPA. Note: Net impact on ratepayers during the inflationary cap period will be zero		during the inflationary cap period, and would enable IESO to record such amounts in the variance account **Timing**: LRC on October 30, 2017
Acceleration and Negative Fair Allocation Amounts (FAA)	• OPG has advised that additional amendments to O. Reg. 206/17 (General) may be required to satisfy accounting requirements, that would address unintended consequences of negative FAA amounts and the impacts of a potential acceleration	• Amendments to O. Reg. 206/17 (General)	• ENE and OPG considering further amendments to the General Reg. **Timing:** LRC on November 20, 2017 and/or December 2017
Letter of Credit	• OPG has advised that an IESO Letter of Credit is required to backstop smaller Local Distribution Companies (LDCs) that do not have credit ratings	• Amendments to O. Reg. 429/04	• ENE, IESO, and OPG considering amendments to O. Reg. 429/04 to enable the recovery of Letter of Credit carrying costs from specified consumers **Timing:** LRC on November 20, 2017 and/or December 2017

Implementation of Ontario's Fair Hydro Plan
Week of October 30, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • OPG continuing to work with rating agencies • Ongoing Business Items: o Provincial Protection and Assurance Agreement ▪ OFA / OPG / MOF / ENERGY and OPCD working to finalize Agreement. Note: Term Sheet has been approved by TB/CAB o Commercial Agreement ▪ OPG and IESO working to finalize Agreement ▪ Ongoing discussions regarding the "letter of credit" to backstop smaller LDCs without ratings or using a reserve account ▪ ENE and IESO considering amendments to O. Reg. 429/04 to enable IESO recovery of cost associated with the letter of credit o OPG Financing Plan ▪ OPG to provide ENERGY a draft o Acceleration and negative FAA ▪ ENE and OPG considering further amendments to O. Reg. 206/17 o Subordinate Debt Loan Agreement o Equity Injection Process ▪ OPG seeking Board approval of Master Subscription Agreement on September 29. ▪ Province to finalize internal mechanisms by October o Payment in Lieu of Taxes Exemption ▪ MOF/Tax Policy working on comfort letter/regulation regarding PILs for OPG	• October 30, 2017 – LRC for regulatory amendments package (i.e., to address management fees and interest and fees collection during the Inflationary Cap period) • Week of November 6, 2017 – OPG Draft Financing Plan • November 20, 2017 (TBD) – LRC additional amendments to O. Reg. 206/17 (General) to address acceleration and negative FAA issues and IESO carrying cost for the letter of credit • November 13, 2017 – OPG Board meeting • Late November or early December – OPG Initial debt issuance • December (TBD) – LRC

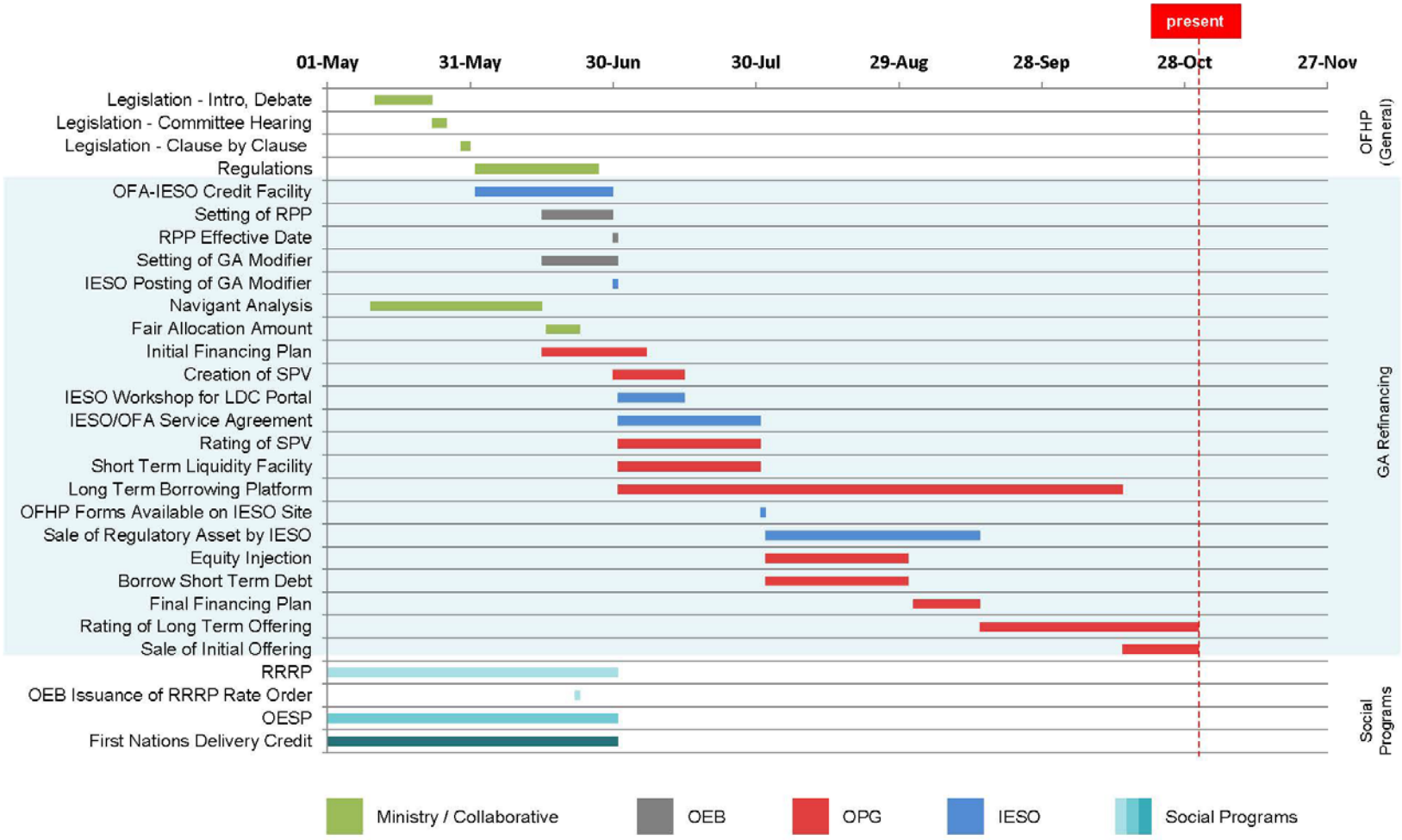
Item	Key Deliverables / Considerations	Timing / Next Steps
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB/MB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP. Sought 50 FTEs, but only received 20 – MCSS is considering report-back in the fall to ask for more FTEs • OEB and MCSS completed data exchange to identify SA clients currently not enrolled in OESP. Outreach calls began late August, with direct mail-outs in late September. New call centre to be ready to receive calls in October, and MCSS to continue developing software solution for automation over next several months • CRA approval of proposal for e-signatures on OESP applications. OEB is working with service provider to upgrade online application process (November), and CRA will formally accept e-signature process by amending MOU with Ministry of Finance • Ministry is targeting November/December to proclaim OEBA amendments to shift OESP to tax base, along with supporting regulatory amendments • Ministry and OEB have initiated work to transfer OESP to government	• LRC package being developed for proclaiming OEBA provisions and amending OESP regulation; scheduled for December 11 • Continue to work with OEB to build up the Ministry's knowledge base on administering the OESP

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Receiving regular updates from H1 on enrollment
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • October 12 – Soft launch of microsite and 1-800 number • October 24 – Formal announcement in Hamilton involving the Minister of Energy • As of Oct. 23 – 66 applications from 6 LDCs processed through the AFT program • On Oct. 24 – the Trustees held a webinar with 200 participants to overview program design, walk-through the web site, and answer distributor questions • Next Trustees meeting is scheduled for November 2, 2017	**Fall 2017:** • The Trustees are considering the use of Ontario 211 services for the Affordability Fund • The Fund will have an iterative design process to support continuous improvement, and will revisit design elements every 6 months and measures every 3 months • ENERGY has amended the TPA with the Affordability Fund Trust to require use of the Ontario logo in Fund marketing and communications and is waiting for the Trustees to sign-back • Report back to TB/MBC through the PRRT process with final program details and a

Item	Key Deliverables / Considerations	Timing / Next Steps
		performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through an in-year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • AG special report on OFHP and Government Response released October 17, 2017 • Search for records responding to AG request (emails, responsive documents) completed week of October 25	• TBD – AG Annual Report
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ministry review OCC proposal to expand ICI outreach program • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations	• Continue this work as part of 2017 LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB • Mandate Review implementation is an opportunity to reiterate expectations. **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
November 1, 2017

Agenda

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
    - Provincial Protection and Assurances Agreement (OFA / OPG)
    - Commercial Agreement (OPG/ IESO)
    - OPG's Financing Plan (OPG)
    - Regulatory Amendments (ENERGY)

2) Sepcial Report – Debrief

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From: Ronald Kwan
To: John Kim
Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Tuesday, October 31, 2017 5:52:11 PM
Attachments: 2017 Outstanding Business Issues - Week of Oct 30 - ENE.DOCX
2017-10-27 OFHP Matrix - Week of Oct 31_Clean.docx
Agenda_Weekly Rate Mitig Implmentation Group_ Oct 31.docx

Hi John,

Please review.

On a related issue, any comments back on the IGB slide deck?

Ron

-----Original Message-----
From: Gadi Mayman
Sent: October-31-17 15:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
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From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, October 31, 2017 3:52 PM
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Implementation of Ontario's Fair Hydro Plan
Week of October 30, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • OPG continuing to work with rating agencies • Ongoing Business Items: o Provincial Protection and Assurance Agreement ▪ OFA / OPG / MOF / ENERGY and OPCD working to finalize Agreement. Note: Term Sheet has been approved by TB/CAB o Commercial Agreement ▪ OPG and IESO working to finalize Agreement ▪ Ongoing discussions regarding the "letter of credit" to backstop smaller LDCs without ratings or using a reserve account ▪ ENE and IESO considering amendments to O. Reg. 429/04 to enable IESO recovery of cost associated with the letter of credit o OPG Financing Plan ▪ OPG to provide ENERGY a draft o Acceleration and negative FAA ▪ ENE and OPG considering further amendments to O. Reg. 206/17 o Subordinate Debt Loan Agreement o Equity Injection Process ▪ OPG seeking Board approval of Master Subscription Agreement on September 29. ▪ Province to finalize internal mechanisms by October o Payment in Lieu of Taxes Exemption ▪ MOF/Tax Policy working on comfort letter/regulation regarding PILs for OPG	• October 30, 2017 – LRC for regulatory amendments package (i.e., to address management fees and interest and fees collection during the Inflationary Cap period) • Week of November 6, 2017 – OPG Draft Financing Plan • November 20, 2017 (TBD) – LRC additional amendments to O. Reg. 206/17 (General) to address acceleration and negative FAA issues and IESO carrying cost for the letter of credit • November 13, 2017 – OPG Board meeting • Late November or early December – OPG Initial debt issuance • December (TBD) – LRC

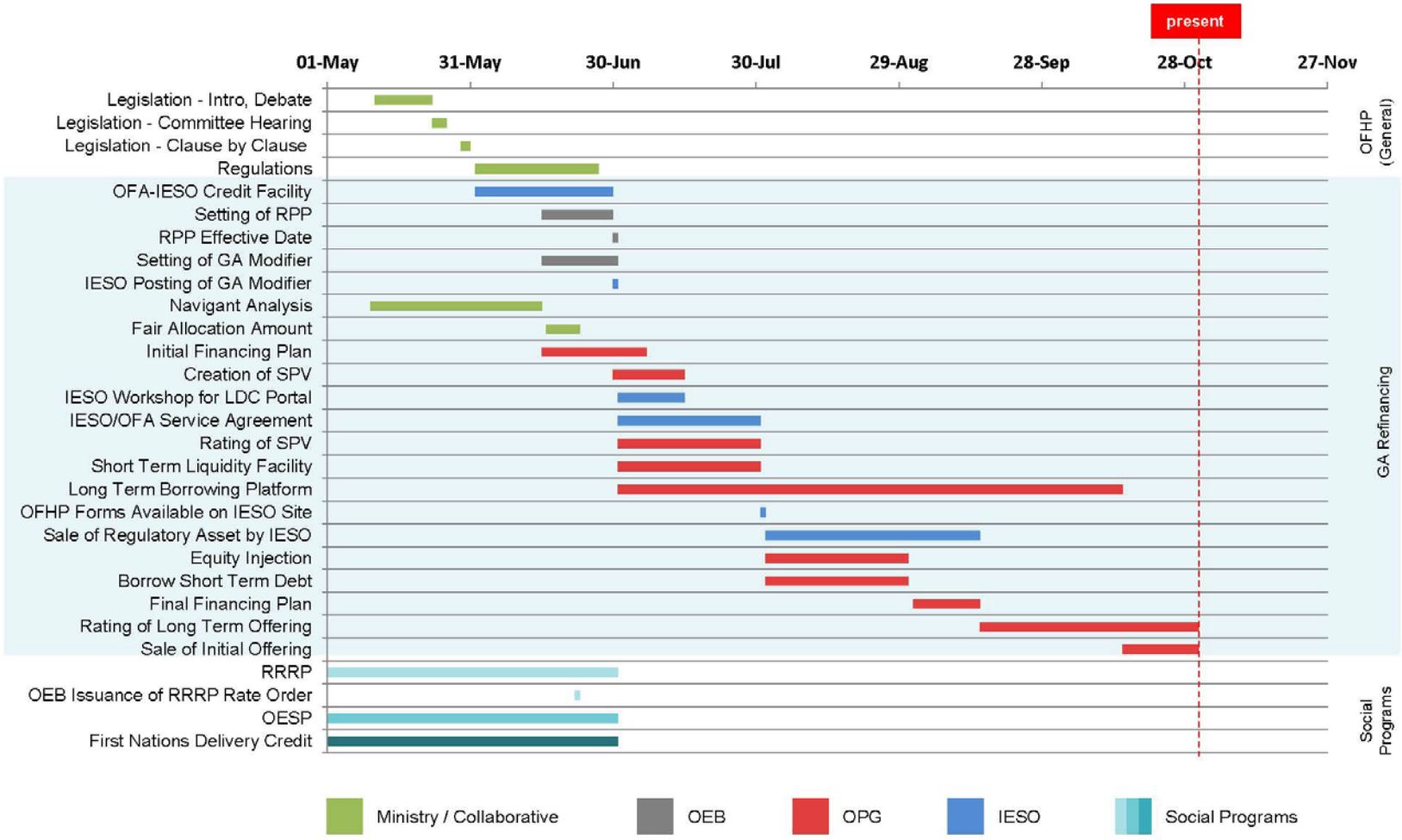
Item	Key Deliverables / Considerations	Timing / Next Steps
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB/MB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP. Sought 50 FTEs, but only received 20 – MCSS is considering report-back in the fall to ask for more FTEs • OEB and MCSS completed data exchange to identify SA clients currently not enrolled in OESP. Outreach calls began late August, with direct mail-outs in late September. New call centre to be ready to receive calls in October, and MCSS to continue developing software solution for automation over next several months • CRA approval of proposal for e-signatures on OESP applications. OEB is working with service provider to upgrade online application process (November), and CRA will formally accept e-signature process by amending MOU with Ministry of Finance • Ministry is targeting November/December to proclaim OEBA amendments to shift OESP to tax base, along with supporting regulatory amendments • Ministry and OEB have initiated work to transfer OESP to government	• LRC package being developed for proclaiming OEBA provisions and amending OESP regulation; scheduled for December 11 • Continue to work with OEB to build up the Ministry's knowledge base on administering the OESP

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Receiving regular updates from H1 on enrollment
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • October 12 – Soft launch of microsite and 1-800 number • October 24 – Formal announcement in Hamilton involving the Minister of Energy • As of Oct. 23 – 66 applications from 6 LDCs processed through the AFT program • On Oct. 24 – the Trustees held a webinar with 200 participants to overview program design, walk-through the web site, and answer distributor questions • Next Trustees meeting is scheduled for November 2, 2017	**Fall 2017:** • The Trustees are considering the use of Ontario 211 services for the Affordability Fund • The Fund will have an iterative design process to support continuous improvement, and will revisit design elements every 6 months and measures every 3 months • ENERGY has amended the TPA with the Affordability Fund Trust to require use of the Ontario logo in Fund marketing and communications and is waiting for the Trustees to sign-back • Report back to TB/MBC through the PRRT process with final program details and a

Item	Key Deliverables / Considerations	Timing / Next Steps
		performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through an in-year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • AG special report on OFHP and Government Response released October 17, 2017 • Search for records responding to AG request (emails, responsive documents) completed week of October 25	• TBD – AG Annual Report
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ministry review OCC proposal to expand ICI outreach program • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations	• Continue this work as part of 2017 LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB • Mandate Review implementation is an opportunity to reiterate expectations. **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
November 1, 2017

Agenda

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
    - Provincial Protection and Assurances Agreement (OFA / OPG)
    - Commercial Agreement (OPG/ IESO)
    - OPG's Financing Plan (OPG)
    - Regulatory Amendments (ENERGY)

2) Sepcial Report – Debrief

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From:	Ronald Kwan
To:	John Kim
Subject:	FW: Rate Mitigation Implementation Meeting - September 14, 2017
Date:	Thursday, September 14, 2017 12:30:44 PM
Attachments:	Action Items_Sept 14_v2.docx ATT00001.htm

From: Gadi Mayman
Sent: September-14-17 12:27
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - September 14, 2017

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** September 14, 2017 at 12:24:38 PM EDT
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Nalasco, Adrian (ENERGY)" <Adrian.Nalasco@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)"

<Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - September 14, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: September 14, 2017 5:47 AM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>; Nalasco, Adrian (ENERGY) <Adrian.Nalasco@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; MacIntyre, Kyle (TBS) <Kyle.MacIntyre@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <Adam.Feather@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - September 14, 2017

Hi everyone,

Please find attached the material for discussion this morning.

Thanks,
Martin

Action Items – September 14, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
        - OPG Board meeting set up for Sept 27 to seek approval of the structure (materials typically go to the Board a week in advance). OPG will require finals or advanced drafts of the support agreement, FAA model, and fees regulation
        - OPG and IESO continue to work on LOC to protect against LDC defaults, or an alternative of a guarantee, to land for next week
            - A LOC could require a change to the general regulation (could track to Oct 16 LRC)
            - IESO/ENERGY Legal continue discussions on the LOC to flesh out any required regulatory changes
    - Supporting Agreement (OFA/OPG)
        - OPG has indicated that EY doesn't believe the agreement, as currently drafted, will pass the consolidation test.
        - OFA/ENERGY to work with OPG to determine what can be done to address this concern
        - TB/MBC will likely move to Monday Sept 25
    - Business Item (OPG/IGS)
        - Moratorium period will last for until 2022. After that, both interest and principal will flow through CEAs.
        - Treatment of interest during first four years is still not resolved. ENERGY to work with IESO to investigate alternatives to GA.
    - Fees (ENERGY)
        - ENERGY legal is working through latest proposal from OPG and a draft that will not substantially change is needed for Board meeting. Proposal has been shared with OEB but has not yet been formally drafted by legislative counsel.
    - FAA (ENERGY/OPG)
        - Energy and OPG to meet in the next few days to finalize the FAA model with an aim to get the Minister's signature on the FAA letter next Thursday

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - No updates
    - Affordability Fund (CRED)
        - Trustees are currently meeting on a weekly basis and working towards a soft launch in early October

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan
Cc:	Christina Zhang; Gadi Mayman
Subject:	FW: Rate Mitigation Implementation
Date:	Thursday, March 16, 2017 4:42:13 PM
Attachments:	Consolidated - OFHP Matrix -Week March 13.docx TOR_2528-#23096792-v1-Summary_of_Legislative_Issues v3.docx Agenda_Weekly Rate Mitig Implmentation Group_March 15.docx

FYI

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Thursday, March 16, 2017 2:33 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Rate Mitigation Implementation

Hi Gadi,
Per your discussion with the Deputy, we'll be adding you to our weekly rate mitigation implementation meetings. Attached, for reference, is the material from this week's meeting.
Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

Implementation of Ontario's Fair Hydro Plan
Week of March 13, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation: o Defining mitigation and recovery mechanism; and o Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg.429/04) • Shareholder Declaration and Resolution • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o IESO line of credit to bridge from May-July; o OEFC to OPG equity injection structure; and o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc) <u>Considerations</u> • GA refinancing legislation could also include legislative changes to enable broadening of RRRP, expanding of OESP and establishing of FN delivery credit. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income. • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers.	• Report back to TBC/MBC by spring 2017, prior to going to LRC with any legislation, on the approach to refinance GA (per TBC/MBC Minute) • Report to TBC/MBC, LRC and Cabinet in spring 2017 (per Cabinet Minute) • Provide comfort level to allow OEB to include in May 2017 RPP • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure	• LDC working group kick-off March 14, 2017 • Report back to TB/MBC by Spring 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
	in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Fall 2017 implementation (per Cabinet Minute)
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% + new eligibility – Potentially early Spring. • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. Currently engaging OEB. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC by Spring 2017 • Program in place in 2017 (per Cabinet Minute)
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13M to $20M

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Work with LDCs to consider any bill messaging.	• Program in place in 2017 (per Cabinet Minute)
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, TBS, MOF and H1	• TBC/MBC Submission • Trust Structure • Transfer Payment Agreement (multi-party) <u>Considerations</u> • Legislative changes not required. • Funding needs to flow to the Trust prior to March 31, 2017.	• Ongoing engagement with Hydro One, LSB, OPCD, CSD on development of Transfer Payment Agreement (TPA) and Trust Declaration (including sharing of drafts for comment) • Hydro One to finalize establishment of Trust by March 17, 2017 **Week of March 20, 2017:** • Execute TPA between the Ministry and the Trust by March 22nd • Initiate process to flow funds to the Trust; to be completed before March 31st **April to May 2017:** • Additional trustees to be appointment; Trust develops further details, e.g. customer eligibility criteria and processes for LDCs to apply for funds; to be developed in consultation with LDCs **June 2017:** • Report back to TB/MBC with

Item	Key Deliverables / Considerations	Timing / Next Steps
		final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date to impact electricity bills this year (May 15, 2017). • Working with the Ontario Chamber of Commerce on a targeted outreach campaign.	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • Report back to TBC/MBC by spring 2017 (per TBC/MBC Minute) • LRC on March 11, 2016 • Effective May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD)	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	Considerations • Opportunity to highlight Market Renewal in the next LTEP. • IESO's stakeholder engagements on Market Renewal is ongoing. • Moving away from a two schedule system could impact consumer prices depending on implementation. • Most of the savings accrue from the move to a capacity auction. These savings do not materialize until the province has capacity requirements.	
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' Considerations • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs Considerations • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in spring 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
	o Agencies (i.e., IESO, OPG, OEB and H1)	
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion. • Awaiting formal letter requesting additional information
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion in April 2017 (TBD)

Summary of Legislative Changes

What follows is a summary of five categories of legislative issues that are currently being dealt with by the legislative team. There is significant overlap between the categories (for example, some of the basic legislative changes could be categorized as changes that are designed to address market considerations).

The drafting of the legislative amendments will be a very detailed and iterative process and drafts of the legislation are currently under review by the team. We also anticipate that the provisions will be reviewed by other experts (for example, US counsel and investment banking advisor). However, we do not anticipate that the primary categories of amendment will change.

1. Basic Legislative Changes Required to Bring the Program into Existence

For example:

- explain policy intent (inter-generational funding)
- revise the general objects/purposes of the legislation to permit the program
- add new objects and rights for IESO to permit IESO's role in the program
- add obligations for IESO to make payments with respect to amounts borrowed under the securitization, the repayment of interest costs or charges, and costs related to the operation or management of the trust or other entity
- provide authority to OPG to establish trust or other entity and its right to recover interest costs, charges, and operating and management costs
    - allow for Trust/SPV to warehouse funds
- define the regulatory asset and allow it to be bought/sold between IESO and Trust/SPV
- define (generally) the group of consumers who benefit from GA refinancing and who will be required to repay it
- establishment of the IESO's obligations

2. Legislative Provisions to Establish the Regulatory Role of the OEB

For example,

- OEB role in creation of the regulatory asset
- OEB role with respect to review of calculations as to amounts to be paid by ratepayers to satisfy the debt obligations

DRAFT

- OEB role with respect to "true-up" of GA calculations (annual or semi-annual)
- OEB role regarding administrative costs of the trust or entity

3. Legislative Provisions Related to OPG

For example,

- provisions to ensure that OPG has the legal authority to implement the program
- provisions to ensure that OPG's assets are properly ring-fenced
- provisions to ensure OPG has authority to create subsidiaries or other entities and transact with the Trust/SPV

4. Legislative Provisions to Address Market Considerations

For example, provisions to provide,

- the creation of the new trust (or other) entity and ensure that it is bankruptcy remote
- clear identification of consumer groups to whom the program applies ("RPP eligible")
- restrictions on consumer group's ability to "opt-out" or by-pass the charge (to avoid de-valuing the asset)
- establishment of the owner's clear right to the regulatory asset to enable payment of principal and interest to investors
- a re-set or true-up mechanism to enable the owner of the payment stream to account for differences between anticipated and actual performance of the GA
- a system to deal with sharing/pro-rating if the ratepayer pays less than the invoiced amount
- irrevocability of the owner's property right (or a surrogate for irrevocability)
- the establishment of a "true sale" of the regulatory asset

5. Addition of Legislative Provisions (to be considered)

- cap maximum GA refinancing in a year by dollar value
- set a maximum interest amount for GA refinancing debt after year 5

DRAFT

- cap GA refinancing based on OPG financial ratios
- fix the date until which rate payers receive a discount for GA refinancing
- fix a total amount to be borrowed as “principal”, at which point further borrowing must service the debt and does not reduce GA paid by rate payers
- determine how surpluses in collections are to be applied (e.g. reinvest in GA reduction before new debt)
- cap increases to rate payer bills at no more than ■% in a year

DRAFT

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
March 15, 2017

Agenda

1) GA Refinancing
    - OPG Update
    - IESO Update
    - OPG Update
    - Legislative Drafting (LSB / Blakes)

2) Affordability Fund (CRED)

3) RRRP, OESP and FN (SNAP)

4) ICI (ESPD)

Notes:

From: Ronald Kwan
To: John Kim
Subject: FW: Rate Mitigation Implementation
Date: Friday, March 10, 2017 9:38:36 AM
Attachments: Summary of Work Plan.docx
OFHP Gov and Delievery Structure - March 9.docx
Agenda_Weekly Rate Mitig Implmentation Group_March 9cc.docx
2017-03-08 Consolidated - OFHP Matrix - March 9_v2 ksh.docx
Moody"s - Securities Backed by Utility Cost Recovery Charges Jun 2015.pdf

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Hi John,

FYI.

I saved to S:\Users\CEF\Hydro 2017\Electricity Prices\OFHP

Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: March-10-17 08:35
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation

Good Morning,

Please see the following update and attached materials relating to Energy's kick off Fair Hydro Plan implementation discussion.

Scott

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, March 9, 2017 5:23 PM
To: McLean, David (MOF)
Cc: Kennedy, Nancy (MOF); Young, Gwendolynne (MOF)
Subject: RE: Rate Mitigation Implementation

Hi David,

I thought I would share a high level summary of this morning's discussion.

The meeting started with a conversation around structures and how Energy plans to move all of the elements of the Fair Hydro Plan forward. In essence, these Thursday meetings will become a regular occurrence (next week is scheduled for Wednesday). This will act as a feeder for issue specific working groups in order to have a single window for reporting in on progress and issues that require resolution. See attached "OFHP Gov and Delivery Structure" for details. There will also be regular DM level updates to keep respective Ministries apprised of progress.

GA Smoothing (Blakes Update)

Blakes, who has been engaged by the Ministry of Energy, provided an overview of the Long Island Power Authority securitization structure that has been referenced several times as a model (albeit smaller) for the GA Smoothing mechanism. Here are some high level details:

o Nuclear facility mothballed and facility costs needed to be repaid over time
o In part as a result of this large liability, LIPA's credit rating was weak increasing borrowing costs
o Created framework in legislation, allowed for a financing order every time the separate entity went out for financing (abbreviated hearing to review merits of case)
o Role of Financial Regulator (closer to OSC than OEB):
· Public Authority Control Board
· Abbreviated hearing
· Form over substance, to ensure calculations are correct
· Regulator needed to be sure that issuance designed to receive lower cost borrowing + meet objectives of the legislation
· If stakeholders want to challenge the validity of order, had 30 days to do so and then foreclosed, after 30 days bonds could be issued
o Asset:
· Order and charges irrevocable: right that could not be changed
· True-up mechanism: ability to adjust collections from end users to ensure cover principle and interest
· Ensure consumers cannot bypass system (pay as long as connected to the grid, whether consuming or not)
· Charge not more than 10% of bill
· Set up as a "true sale" - rights around asset protected
o Unique features (would not apply in Canada):
· State pledge: state would not introduce legislation or do anything to affect rights of assets or bondholders
§ Creates a constitutional right, if reversed is a "taking of the government" which results in a particular process
· Bankruptcy: bondholders can make an application to court to direct payment to bondholders
· While these elements cannot be replicated in the same way in Canada, Blakes suggests it will be important to enable similar protections under the Canadian legal framework to the extent possible

Blakes also walked through key elements that the market and rating agencies will seek in order to ensure this is financeable (according to Blakes there will be an expectation that mitigation measures will be in place for each):
· Size and breadth of customer base
· Non-bypassability
· Volatility of policy environment
· For more details, Blakes suggests reading the attached Moody's guide

GA Smoothing (OPG Update)

OPG walked through the attached summary workplan providing an update on key buckets of work including that included a number of touch points with the OFA and MoF focused on process for borrowing and equity infusion both at inception and ongoing approvals. Note that OPG is conceiving of each incremental debt issuance as an amendment to the borrowing agreement rather than as individual tranches in order to avoid differentiation between bondholder priority thereby minimizing long term interest costs. Note that working groups are beginning to meet to think in more detail to think through these issues.

GA Smoothing (IESO Update)

· IESO is thinking through what needs to be in legislation, regulation, market rules and in an agreement with OPG.

· IESO is also working with OPCD and KPMG to finalize its revised financials to incorporate its market books. IESO will file its audited financial statement with the AG in May. Further thought is needed on timing and level of engagement with the AG's office.

· On a related note, the AG has reached out through OPCD for an initial briefing on the Fair Hydro Plan.

GA Smoothing (Legislative Drafting Update)

· Energy legal expects to have first drafts to share shortly for input

· Targeting mid-April for approvals

GA Smoothing (General)

· OEB was also included in the discussion and continues to have concerns about its role in the process. Further consideration is required in the context of accounting and financing imperatives

Other Updates

· Work on the RRRP, OESP and First Nations rate is progressing in parallel. There was some talk of inclusion of these elements in the Budget Bill, but no certainty on whether that would be possible from a timing perspective.

· The Affordability Fund is moving on a more expedited path. A first draft of the TPA has been shared with Hydro One for review. Hydro One is working to establish the Trust.

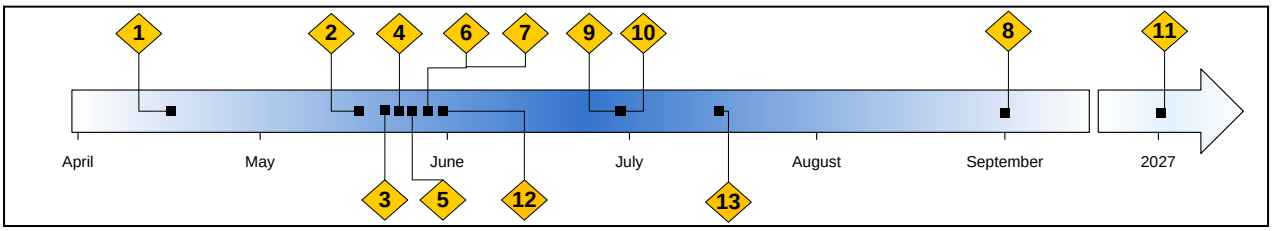
Thanks,
Scott

Summary of Work Plan

Below is an overview of the elements of the draft workplan to set up a trust special purpose financing vehicle (SPV) that would hold the claim on future customers and the debt issued to fund the payment to the IESO in accordance with Ontario's Fair Hydro Plan. All elements of the work plan will consider the key requirements of OPG with respect to elimination or mitigation of risks.

Workplan Overview

The draft workplan below is divided into major components required to set up the trust SPV as part of Ontario's Fair Hydro Plan. Each major component is divided into sub-components that provide further aspects / characteristics / requirements.



[Note deleted #13]

1. Legislative Requirements [Stakeholders: OPG, IESO, OEB, MOE]

a. Characteristics of Regulatory Asset

Key aspects will include collection rights, claim/counterclaim protection, future governmental action protection, saleability into SPV, protection from seller's creditors, OEB regulatory asset recognition, oversight of administration costs and recovery mechanism, and true-up process.

b. *Legislative amendments to implement the structure*

- Provisions in the Electricity Act (and OPG's articles) will be amended/updated to allow flexibility in OPG's corporate structure.
  1. These amendments would be similar in nature to previous amendments made to Hydro One's governing provisions in the Electricity Act.
  2. The amendments would, for example, allow OPG to create and operate through subsidiaries, and also enable OPG to raise financing through public offering of debt. (OPG may need to raise some financing to fund a portion of the subordinated debt going into the trust.)
- The electricity legislation will be amended to implement the deferral and financing of the GA, including amendments:
  1. to reflect that the IESO may defer collection of a portion of the GA;
  2. to create a "regulatory asset" consisting of the right to recover, over time, the amount GA being deferred, together with interest and other financing costs;
  3. to allow the IESO to sell that regulatory asset to a third party (the trust/financing vehicle);
  4. that authorizes the OEB to recognize the regulatory asset (which will likely comprise a deferral account) and allows the owner of the asset to recover the principal amount and financing costs for the GA deferral over time; and
  5. that also provides the OEB with no rights (or very limited rights) to review the terms on which the GA deferral is recovered (i.e. the interest rate, other financing costs and the amortization period). (This is needed to make the GA deferral financeable in the capital markets.)

2. Financing Process [Stakeholders: OPG, IESO]

a. Set up Financing Vehicle

The SPV will be established with a simplified trust indenture to facilitate flexible financing (issue short and long term debt in Canadian and US markets, ability to warehouse, ability to enter into cross currency swaps). The sole purpose of the SPV will be to acquire the

regulatory asset and raise debt. A financial service and management agreement with OPG will also be required.

b. Oversight

Appropriate oversight structure to be established independent of OPG management to review and monitor financing strategies, operating budgets and results of SPV. Reporting and monitoring requirements of Province, IESO and OEB and OPG to be determined.

c. Operations

Processes will be established for deal execution, operating cash management, regulatory reviews and credit rating agency reviews. Agreements will be established to define relationships with IESO (sales & servicing), billing payment and other administrative services, banking arrangements, subordinated debt agreement with OPG.

3. Equity Injection Process [Stakeholders: OPG, Ministry of Energy, Ministry of Finance]

The Province will require Treasury Board approval for periodic appropriations to fund equity injections into OPG. OPG Board approval will be required to issue a specified number of shares that can be periodically issued to the Province. The actual number of shares issued will be based on IESO forecast of funds required.

4. IESO and Trust Operational Process [Stakeholders: OPG, IESO]

Establish processes to facility the SPV's purchase of the IESO's regulatory asset, including timing (notice periods), frequency, fund flows, GA shortfall forecasts and true-up mechanisms.

5. Debt Issuance – General Planning [Stakeholders: OPG, MOF]

Develop debt issuance plan considering need for liquidity/working capital, debt profile (short/long term), debt composition (senior/subordinated), marketing plan (Canada and US), financing amounts and timing, credit rating agency legal opinions and required approvals.

6. Debt Issuance – Subordinated [Stakeholders: OPG]

Establish subordinated debt characteristics (risk, return, cash flows), repayment terms, issue frequency/timing and required approvals.

7. Debt Issuance – Short Term [Stakeholders: OPG]

Ability to aggregate and warehouse using short term CP / ABCP.

8. Debt Issuance – Long Term [Stakeholders: OPG]

Key steps in establishing OPG external long term debt financing include the following:

- Select bank advisor for Canadian market
- Select bank advisor for US market
- Select credit rating agency and establish high investment grade requirements
- Seek credit rating agency legal opinions (identified above in section 5)
- Ongoing financial and legal due diligence
- Credit rating agency presentation and follow-up Q&A
- Obtain preliminary or pre-sale rating
- Develop maturity profile if flexibility available
- Draft and execute offering memorandum, agency agreement and other legal documents
- Prepare marketing materials
- Marketing, road shows, investor one-on-ones
- Investor due diligence and collection of expression of interest
- USD denominated debt - ISDA contracts for swap arrangements and potential collateral requirements

9. **Recovering Interest, Administration and Other Financing Costs from IESO [Stakeholders: OPG, IESO]**

   Establish basis of cost (actual or accrued), documentation requirements, funds flow timing and frequency.

10. **Paying Interest, Administration and Other Financing Costs to Providers [Stakeholders: OPG, IESO]**

    Establish bank accounts, basis of cost (actual or accrued), documentation requirements, funds flow timing and frequency, required approvals and administration agreements (either with trust administrator or OPG).

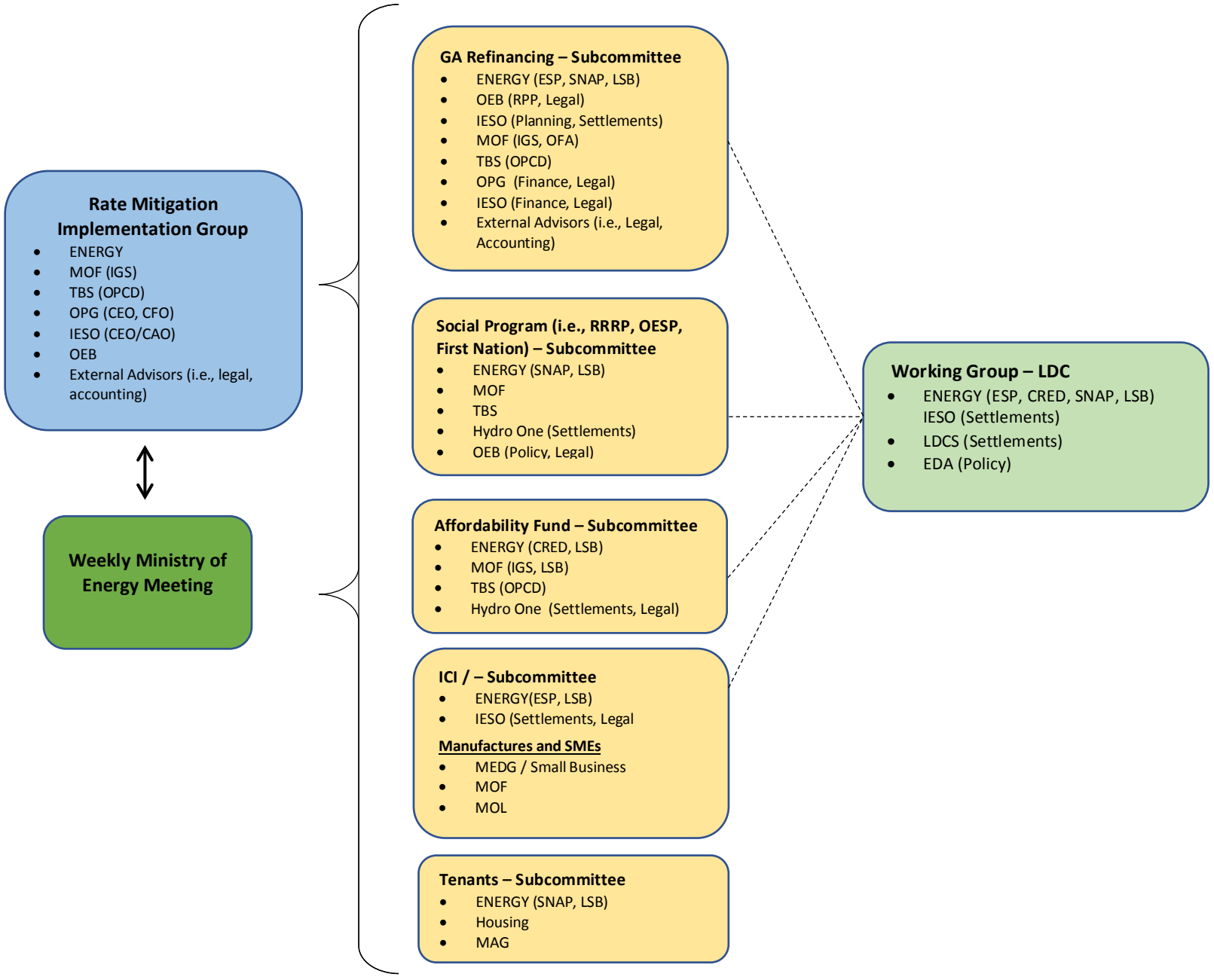
11. **Recovering Principal from IESO [Stakeholders: OPG, IESO]**

    Establish basis of recovery (regulatory asset schedule / actual financing amortization or maturity / other method), documentation requirements, approvals, timing and frequency.

12. **Accounting Requirements and Process [Stakeholders: OPG]**

    Establish overall accounting requirements for trust, regulated asset, consolidation with OPG, operational control of trust and restrictions on regulated asset. See further details in Appendix A – Terms Necessary for OPG to Consolidate the Global Adjustment Trust.

Governance and Delivery Structure for Implementation of Ontario's Fair Hydro Plan



WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
March 9, 2017

Agenda

1) Governance / Delivery Structure – Overview (ESPD)

2) GA Refinancing
    - Overview of US models (Blakes)
    - OPG Update
    - IESO Update
    - Legislative Drafting (LSB)

3) Affordability Fund (CRED)

4) RRRP, OESP and FN (SNAP)

5) ICI (ESPD)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of March 6, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		

• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation:
	  o Defining mitigation and recovery mechanism; and
	  o Establishing roles for IESO, OPG and OEB
	• Regulation (amend O.Reg.429/04)
	• Shareholder Declaration and Resolution
	• Third Party Technical Report re Long Lived Assets (TBD)
	• Accounting opinions from E&Y (OPG) and KPMG (IESO)
	• Financing:
	  o IESO line of credit to bridge from May-July;
	  o OEFC to OPG equity injection structure; and
	  o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc)
	
	<u>Considerations</u>
	• GA refinancing legislation could also include legislative changes to enable broadening of RRRP, expanding of OESP and establishing of FN delivery credit.
	• Ongoing legal, accounting and financing risk assessments.
	• Impact on Electricity Sector Dedicated Income.
	• OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers.
		• Report back to TBC/MBC by spring 2017, prior to going to LRC with any legislation, on the approach to refinance GA (per TBC/MBC Minute)
		
		• Report to TBC/MBC, LRC and Cabinet in spring 2017 (per Cabinet Minute)
		
		• Provide comfort level to allow OEB to include in May 2017 RPP
		
		• Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure	• Report back to TB/MBC by Spring 2017 • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	in place to provide to existing consumers in Algoma and Remotes. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB and OEB	• Legislation • Regulation (TBD) <u>Considerations</u> • Reach out to OEB to consider whether surplus funding of ~$100M could be used to increase OESP credits by 50%. Regulation can be updated quickly (need to consider whether posting on EBR is required). • Consider whether revised directive needed to continue having OEB administer program. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC by Spring 2017 • Program in place in 2017 (per Cabinet Minute)
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13M to $20M • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, TBS, MOF and H1	• TBC/MBC Submission • Trust Structure • Transfer Payment Agreement (multi-party) <u>Considerations</u> • Legislative changes not required. • Funding needs to flow to the Trust prior to March 31, 2017.	**Week of March 6, 2017:** • TBC/MBC approval (March 6th) • CAB approval (March 8th) • Follow up calls with several LDCs and EDA to provide updates and outline proposed principles for the Fund (Ongoing engagement with Hydro One, LSB, OPCD, CSD on principles and establishment of Trust and development of Transfer Payment Agreement (TPA) (including sharing of drafts for comment); **Week of March 13, 2017:** • Hydro One to finalize establishment of Trust by March 17th • Continue development of TPA, including circulating near to final version by March 17th **Week of March 20, 2017:** • Execute TPA between the Ministry and the Trust by March 22nd • Initiate process to flow funds to the Trust; to be completed before March 31st

Item	Key Deliverables / Considerations	Timing / Next Steps
		April to May 2017: • Additional trustees to be appointment; Trust develops further details, e.g. customer eligibility criteria and processes for LDCs to apply for funds; to be developed in consultation with LDCs **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date to impact electricity bills this year (May 15, 2017). • RR posting is typically a minimum of 45-days for all regulatory changes affecting business to allow for review/comment. **Note:** RR posting is not a legal requirement but a best practice. • Working with the Ontario Chamber of Commerce on a targeted outreach campaign.	• RR posting on the proposed amendment • Report back to TBC/MBC by spring 2017 (per TBC/MBC Minute) • LRC [DATE] • Effective May 2017 (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • Opportunity to highlight Market Renewal in the next LTEP. • IESO's stakeholder engagements on Market Renewal is ongoing. • Moving away from a two schedule system could impact consumer prices depending on implementation. • Most of the savings accrue from the move to a capacity auction. These savings do not materialize until the province has capacity requirements.	• Continue this work as part of LTEP
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in spring 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) FAO Engagement		
• ENERGY, MOF/OFA, FAO	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion.

MOODY'S
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RATING METHODOLOGY

Moody's Global Approach to Rating Securities Backed by Utility Cost Recovery Charges

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1. Scope

This methodology describes our global approach to rating securities backed by utility cost recovery charges ("UCRC" bonds) that are established by special legislation and financing orders issued by utility regulatory bodies. The charges backing UCRC bonds rated by us have been established by state legislation and state utility regulatory bodies in the United States. For UCRC bonds backed by charges authorized by other jurisdictions, we will analyze the specifics of the securitization's legal framework and regulations – and their implications for the quality of the protections afforded to investors – within the general methodology described in this report.

Examples of cost recovery charges include those imposed to cover certain costs of utility companies that had been incurred in a regulated environment but could no longer be recovered because of a change to a more competitive regulatory regime (i.e., charges sometimes referred to as "stranded utility charges") and those imposed to pay for environmental cleanups, clean energy or for the replenishment of reserves established for repair of facilities damaged by natural calamities, such as hurricanes or tornados.

2. Executive Summary

A utility cost recovery charge bond is a bond typically issued by a special purpose entity of a utility, or by a special borrowing conduit, to recover specified costs as authorized by special legislation and a specific financing order issued by a public service utility regulatory body. The bonds are backed by a property right created by the legislation, which provides the right to impose and collect special charges on customers' monthly electric bills.

This credit rating methodology was republished on June 22, 2015 containing an updated monitoring section and minor other editorial updates in the body of the text and in certain footnotes. The content of this Credit Rating Methodology has not been changed.

The credit quality of the bonds depends on the legal strength of the property right, which in turn depends on the specifics of the related legislation and financing order, and on the size and economic strength and stability of the ratepayer base against which the costs will be imposed. Therefore, our credit analysis of cost recovery charge securitizations focuses on both legal and economic factors that can influence whether investors in UCRC bonds will be paid as promised.

On the legal side, we assess the extent to which the legislation that authorizes the cost recovery charges[1] provides clear procedures for insulating the transaction from claims by other parties and is likely to be able to withstand challenges to rescind or alter the legislation prior to the legal final maturity of the securities. Consequently, our analysis focuses on the extent to which the legislation clearly defines (1) a property that entitles the owner of such property – the utility, or, in some cases, a public trust or corporation – the right to charge the fee throughout the life of the security in an amount sufficient to make full and timely repayment of principal and interest on the security, (2) the process the owner of the property must follow to charge the fee, (3) the irrevocable right of the owner of the property to transfer the fee to a special purpose financing vehicle for securitization purposes, (4) the type of financing vehicle authorized to issue securities backed by the fees, and (5) the process to be followed such that the transfer would be viewed as a "true sale" of the rights to the cash flows rather than a pledge of collateral for a financing for transactions that involve the transfer of the property from the utility to the issuer. A true sale would insulate the securitization from a bankruptcy of the utility, protecting securitization investors from potential claims on the cash flows by the utility's creditors. In addition, we assess whether the legislation has a government pledge not to impair the utility's right to collect the charges and the consequences if the government nevertheless does attempt to impair the right.

We also examine the likelihood that other potential claimants, such as other creditors of the financing vehicle if it were to become bankrupt or investors in other securities that have been issued by the utility, might make a successful claim on the cash flows of the securitization. Furthermore, we consider the breadth of the market to whom the charge will be applied and the extent to which the charge might be "bypassable," that is, the extent to which current or future customers might be categorized as outside the scope of the applicability of the charge.

Our assessment of the overall legal strength of the property right involves qualitative and judgmental factors. Transactions that are strong with respect to each of such characteristics may achieve the highest rating while the impact of weakening any of the attributes would be evaluated on a case-by-case basis.

On the economic side, our analysis focuses on the likelihood that the charges established by the legislation and accompanying regulations will be sufficient to repay the securitization bonds and on whether the charges might become onerous enough to cause pressure to rescind or alter the charges through future legislative or legal actions. As part of that assessment, we evaluate (1) possible changes in the size and composition of the customer base against whom the fee is to be charged, incorporating an evaluation of the breadth and diversity of the customer base, (2) the likely per capita energy usage (in those cases in which the fee charged is based on the usage amount), and (3) the fee rate, including any mechanism built in by the legislation that enables the fee to be reset over time to offset shortfalls that might develop over the life of the securitization (i.e., the transaction's "true up" mechanism). Generally the true-up mechanism is in effect the most important credit protection for UCRC transactions, limiting the risk that the cost recovery charges will be insufficient to pay off the bonds, thereby limiting the need for traditional sources of credit enhancement such as subordination and reserve funds.[2]

In analyzing a transaction's true-up mechanism, we examine how high rates would need to be set under "stressful" future scenarios to fully pay off the bonds, to assess the risk that onerous future rates might cause pressure to overturn or change the legislation and/or regulations establishing the charges. The variables that we typically "stress" test for UCRC bonds are the base against which the charge is to be

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

[1] Throughout this report we use the terms "cost recovery charges" and "cost recovery fees" interchangeably.

[2] The true-up mechanism also limits the need to analyze the underwriting of the customer base, since the mechanism adjusts for all shortfalls, including those caused by customer defaults.

applied (usually energy usage) and the servicing fee. To obtain a high rating, we would expect that even in a stressful environment, such as one in which energy usage declined dramatically, the charge per customer necessary to pay off the bonds would be reasonably low both in absolute terms and as a percentage of the customer's energy bill. The specific stresses that we place on the variables are issuer-specific and are determined on a case-by-case basis.

In addition, we analyze the implications of other structural features of the securitization that could affect the risk of investor loss. For example, we examine the risk implications of how the cash flows are allocated among the various classes of investors and the other participants in the transaction, and the extent to which any other sources of funds are likely to be sufficient to offset any remaining shortfalls to investors, whether the shortfalls are temporary ("liquidity") or permanent ("credit enhancement").

3. Analyzing the Risk Factors

Because of the unique characteristics of this highly regulated asset class, our credit analysis of UCRC securitizations focuses primarily on the legislation and the true-up mechanism. The degree of certainty that the fees generated through the legislation will be sufficient to pay off the securitizations in full is a complementary aspect of the analysis. .

Depending on the risks and mitigants in the relevant jurisdiction, transaction ratings will typically be positioned between the government rating and the country ceiling. Risks that could lead us to determine transaction ratings to be lower than the country ceiling include, for example, continued high levels of debt burden in a utility system. Such high levels of debt, if deemed unsustainable in the long term, may lead to political pressure to adjust the regulatory framework around the system deficit, with some potential negative impact on the related securitization transactions.

In the following sections, we describe the factors that typically lead to a high degree of certainty and thus high ratings on the bonds.

3.1 Protection against Future Impairment of the Right to Collect the Charges

Utility cost recovery charges are established by special legislation that authorizes the creation of a property right to collect future surcharges on customers' monthly electricity bills as the means to pay back the UCRC bonds. Consequently, we analyze the extent to which investors are protected against the enactment of future legislative changes that would weaken that right. For example, investor risk would be mitigated in a situation in which (1) the legislation contained a pledge by the jurisdiction not to impair the right to collect the special charges until the maturity of the bonds and (2) violation of that pledge would be a violation of law [3].

3.2 Irrevocability of the Financing Order

The legislation is typically accompanied by a financing order issued by the public service commission that authorizes the utilities to impose and collect the surcharges on the customer's monthly electric bill during the term of the bonds. Our analysis assesses whether the financing order is irrevocable, which would protect investors against future adverse changes that may reduce the charges backing the bonds.

3.3 Sufficiency of the Charges and the True-Up Mechanism

The charges are usually assessed as an amount linked to a customer's energy usage. Our analysis considers whether the financing order places any limits on charges – e.g., caps on the levels of charges or limits on the length of time that the charges can be imposed – that might cause the collections to be insufficient to provide for timely payment of the principal and interest on the UCRC bonds. In addition, we analyze whether the period over which the charges are allowed to be levied provides sufficient cushion to pay off the bonds by maturity in the event that collections come in more slowly than originally projected.

[3] Violation of the non-impairment pledge would be a violation of the Contract Clause and the Takings Clause under the Federal and State constitutions.

As part of that analysis, we evaluate the power of any true-up mechanism that is provided for in the legislation and detailed in the financing order to correct for shortfalls that may develop over the life of the securities. A true-up mechanism typically adjusts future fee rates on a scheduled periodic basis (e.g., semiannually or annually) to correct for any under- (or over-) collections in a preceding period and to ensure the full and timely payment of future scheduled debt service, based on updated usage forecasts. The greater the frequency with which the true-up adjustments are made, the less likely that investors will suffer a shortfall at the final maturity date.[4]

That is particularly important as the security approaches the final maturity date; frequent rate adjustments based on then-current projections mitigate the risk that actual collections will deviate substantially from those projections, limiting the possibility of shortfalls at the final maturity date. Consequently, our analysis assesses the conditions under which more frequent true-ups are allowed, especially near the final maturity.[5]

3.4 Non-Bypassability of the Charges

We evaluate whether the charges are "non-bypassable," that is, whether the charges must be collected from all existing and future customers of the utility or its successors or assignees within the utility's service territory, and whether the financing order provides that a severance fee be charged to customers who switch to other service providers within the territory during the life of the bonds. We evaluate any exceptions to the non-bypassabilty rule, and consider the materiality of those exemptions to the cash collections. Charges that cannot be bypassed (i.e., those that cannot be avoided by the customers in the utility's service area) ensure a continuing payer base for the charges, leading to less risk for investors. As described in the Structural Features section (Section 3.8), the power of the true-up mechanism to protect investors is dependent on the non-bypassability of the charges. As a result, non-bypassability (with limited, immaterial exemptions) has been a key factor behind the high ratings that are typically assigned to these transactions, without the need for considerable protection from traditional types of credit protection, such as reserve accounts or subordination.

3.5 Bankruptcy of the Utility

For structures in which the initial owner of the property is a utility, a bankruptcy of the utility could expose securitization investors to the risk that other creditors of the utility might make a claim on the cost recovery charges or that payments to securitization investors might be delayed as a result of an imposition of an automatic stay on payments from the utility company.[6,7] However, that risk would be limited if it were clear that a bankruptcy court would view the transfer of the rights to the charges as a "true sale" of those rights, rather than as a financing of the company. As a result, we analyze whether the legislation clearly establishes the utility's right to receive and transfer the rights to the charges and provides unambiguous procedures for transferring those rights to the financing vehicle as a true sale, and whether those procedures are followed in the financing order.

In cases where the utility is the servicer of the transaction, we analyze whether a bankruptcy of the utility could lead to a disruption in servicing, e.g., billing and collecting. However, given the essential service provided by the utility, we expect that government authorities would intervene to prevent any disruption in servicing that might result from a bankruptcy. As a result, where the servicer is a regulated utility, we view operational risk as low. Consequently, we typically would consider a transaction to be consistent with a Aaa rating even if the servicer were not investment grade, as long as the transaction were structured with some mitigants for operational risk, such as the inclusion of a backup servicer and/or provision for additional liquidity.[8]

[4] Generally, the charges collected rank senior to other charges of a utility system and represent only a small amount of the total revenues of such system .
[5] Transactions typically allow for more frequent true-ups during the "tail period" between the transaction's stated "expected" maturity (determined by the sponsor) and the "legal" final maturity. The legal final maturity is the important date from our rating perspective, the date by which all principal must be repaid.
[6] In some transactions, the property is created by law for the benefit of a public trust or corporation that also is created by the same law. In such cases, the true sale risk would be non-existent as there is no sale or transfer of the property.
[7] For a discussion of how Moody's analyzes legal risks in structured finance transactions, see Moody's Related Research section at the end of this report.
[8] The rating standard for a backup servicer likely would be lower than investment grade, but would depend on the specific facts and circumstances of the transaction and servicer.

In addition, we analyze whether the bankruptcy of the utility could cause a disruption in the remittance of payments by the utility to bondholders. Such a disruption could occur if the remittances of the charges were "commingled" with the other funds of the utility and the bankruptcy court ordered a halt to payments until proper ownership of the funds could be sorted out. Our analysis includes an assessment of the ways in which the utility separates the cost recovery charges received from its other funds and the frequency with which it transfers the funds to the trust.

3.6 Bankruptcy of the Financing Vehicle

Another potential risk to investors in UCRC securitizations is a bankruptcy of the financing vehicle. That could expose investors to the risk that other creditors of the vehicle might make a claim on the cost recovery charges or that payments to investors might be delayed by the imposition of an automatic stay. Consequently, we analyze (1) the likelihood that a third-party creditor would be able to successfully petition the owner of the assets (i.e., the financing vehicle) into an involuntary bankruptcy proceeding or (2) the likelihood that the owner of the assets would voluntarily seek the protection of the bankruptcy courts.

To analyze the likelihood of an involuntary bankruptcy, we assess the characteristics that would mitigate that risk, such as if the financing vehicle had (1) no assets other than the right to the cost recovery charges, (2) no indebtedness other that the securitization debt, (3) limited activities that could give rise to contractual or other liabilities, and (4) agreements with the sponsor and other contracting parties not to petition for the dissolution, liquidation or bankruptcy of the securitization vehicle. Similarly, factors that would mitigate the risk of a voluntary bankruptcy would include (1) charter documents of the owner of the assets that require directors who are independent of the utility and (2) a unanimous vote of directors as a condition to filing a voluntary bankruptcy.

3.7 Economic Factors

Even if the financing order is irrevocable, the charges or the law that authorizes them could be subject to challenge in the courts or to future political pressure to rescind or change them through legislation. That is more likely the higher the charges, i.e., the more the economic incentive for a challenge or in circumstances where the financial imbalances in a utility system increase. Consequently, our economic analysis focuses on the size of the cost recovery charge, both in absolute terms and as a percentage of the customer's energy bill. Typically the percentage of a residential customer's monthly bill devoted to the cost recovery charge is less than 10%.

We typically also look at stressful collection scenarios. For example, in one scenario, we assume (1) that energy usage falls short of the utility's projections[9] by a progressively increasing amount each year (typically 5% per year), (2) that forecasted collections in peak usage months do not materialize (for example, 100% of the collections in the peak month and 50% of the collections in the second highest-usage month), and (3) that the servicing fee is considerably higher than the current, "normal," servicing fee, representing the fee that would be required if the original servicer needed to be replaced in a stressful environment. In another scenario, we typically assume that energy usage is lower than projected by a set amount throughout the life of the securitization (typically 25%). For highly rated transactions, we would expect that the cost recovery charge would remain relatively low even in those highly stressful scenarios.

While the specific stresses that we place on the variables have been quite similar to date, this reflects the fact that all rated transactions to date have involved requests for the highest ratings and been supported by highly diverse, broad-based service areas. However, in general, stresses are issuer-specific and are determined on a case-by-case basis. One of the factors that we use to determine the appropriate stress level for a transaction is the variability of the base against which the charge is applied, for example, the population in the service area or the energy usage in the service area. Customer bases that are less broad-based and diversified tend to be more variable; as a result, we would apply more severe stresses in those situations.

[9] We typically assess the reasonableness of the utility's projections by analyzing (1) the historical energy usage in the utility's service region and the variances between past projections and actual outcomes, and (2) the likely growth in electricity usage in the service area of the utility, taking into account the projected economic growth in the region and the possible competitive impact of technological advances, such as those in the development of solar energy.

In particular, we evaluate the economic diversity of the utility's service region to assess the potential variability in its economic health, which tends to drive changes in population and energy usage. An area that relies on multiple industries for economic growth will likely have a more stable business climate than an area that is dependent on the fortunes of one industry. In the latter case, the area's prospects will falter if that particular industry runs into hard times.

We also consider the mix in the customer base among residential, commercial, and industrial users. A utility with a large residential base relative to commercial and industrial users will tend to have less volatility in energy consumption, since energy consumption by commercial and industrial operations is more closely tied to the business cycle. Furthermore, residential customers are less likely to quickly embrace new energy production technologies and are less likely to cut back energy consumption dramatically if the price of energy were to rise. The higher variability of a commercial and industrial base can be exacerbated further if the service area's customer usage is concentrated in a few large commercial or industrial operations, which could make the overall energy consumption vulnerable if those entities were to decline or leave the area.

3.8 Structural Features

The key structural feature of UCRC transactions is the true-up mechanism. Our rating is highly dependent on the extent to which the mechanism adjusts the charges to correct for past shortfalls or forecasted future shortfalls. The effectiveness of those rate changes in raising funds depends, in turn, on how easily customers can escape the charges and how sensitive electricity usage is to increases in the utility charges. Therefore, our analysis of the true-up mechanism goes together with our analysis of how bypassable the cost recovery charges are and how easily customers can cut back on electricity usage (through alternative sources of energy or conservation). To be consistent with a particular rating, a strong true-up mechanism combined with non-bypassable charges mitigates the need for credit enhancement in the form of alternative sources of funds.

In addition, our analysis of the credit risk of a UCRC transaction incorporates our assessment of the implications of the transaction's cash flow allocation structure (sometimes referred to as the cash flow "waterfall"). In particular, we focus on the seniority of principal and interest payments to the bond's investors *vis-à-vis* payments to other participants. In addition, we analyze the extent to which the transaction has an alternative source of liquidity to pay principal and interest in the event that there is a temporary interruption in the flow of the cost recovery charges. For example, in many transactions there is a capital or reserve account with funds sufficient to pay interest for at least 1-2 months, if needed. Furthermore, we assess the extent to which the credit enhancement that is available in the transaction is likely to be sufficient to offset any shortfalls that might develop in the period between the final true-up adjustment and the maturity of the bonds.

4. Monitoring

In monitoring UCRC transactions, we apply the key components of this methodology. More specifically, we analyze, whether bond balances are in line with the scheduled principal amortization, which indicates the extent to which payments have been in line with our original expectations.

We review the periodic information received and look at whether there has been a draw on the reserve accounts. This data point provides further clues as to the steadiness of the cash flows and accuracy of true-up adjustments.

In addition, we analyze the factors that determine the future strength of the transaction. For example, we monitor any legal or political developments that could indicate an increased risk of changes in the legislation that could impair future cash flows to the transactions. Such risk may materialise, for example, in case of continued high financial imbalances in the system that may lead the system deficit to be viewed as unsustainable over the long-term.

Depending on the jurisdiction, we also follow the rating of the utility as a proxy to assess any changes to the economic health of the service region and the potential for changes in the size and composition of the ratepayer base. Furthermore, we monitor the rating of the utility collecting the charges (as an indicator of its financial condition) to track the risk, typically quite small, that a bankruptcy could lead to disruption in billing and collections and in the remittance of payments to the bondholders.

In other instances, we may be more concerned with the behavior of the regulator of the utility system and less with individual utility companies. This could lead to a lower rating in the space between the local currency ceiling and the sovereign rating or the utility rating.

Thus changes on our expectations and other analytical components could have an impact on the rating of the securities and may result in a reassessment of the rating.

Moody's Related Research

The credit ratings assigned in this sector are primarily determined by this credit rating methodology. Certain broad methodological considerations (described in one or more secondary or cross-sector credit rating methodologies) may also be relevant to the determination of credit ratings of issuers and instruments in this sector. Potentially related secondary and cross-sector credit rating methodologies can be found here.

For data summarizing the historical robustness and predictive power of credit ratings assigned using this credit rating methodology, see link.

Please refer to Moody's Rating Symbols and Definitions, which is available here, for further information.

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Report Number: SF404788

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INVESTORS SERVICE

From:	Ronald Kwan
To:	John Kim; Emily Kerr
Cc:	Gavin He
Subject:	FW: Rate Mitigation Implementation
Date:	Thursday, March 16, 2017 4:53:20 PM
Attachments:	Consolidated - OFHP Matrix -Week March 13.docx TOR_2528-#23096792-v1-Summary_of_Legislative_Issues v3.docx Agenda_Weekly Rate Mitig Implmentation Group_March 15.docx

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Hi John, Emily,

FYI on the attached.

Emily, note point 8 in the legislative issues document:

- restrictions on consumer group's ability to "opt-out" or by-pass the charge (to avoid de-valuing the asset)

Likely not quite on point, but in the ballpark perhaps. Not quite sure what they mean by ''group'' in this context.

Ron

From: Gadi Mayman
Sent: March-16-17 16:42
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation

FYI

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Thursday, March 16, 2017 2:33 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Rate Mitigation Implementation

Hi Gadi,
Per your discussion with the Deputy, we'll be adding you to our weekly rate mitigation implementation meetings. Attached, for reference, is the material from this week's meeting.
Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
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4th Floor, Hearst Block, 900 Bay Street

Implementation of Ontario's Fair Hydro Plan
Week of March 13, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation: o Defining mitigation and recovery mechanism; and o Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg.429/04) • Shareholder Declaration and Resolution • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o IESO line of credit to bridge from May-July; o OEFC to OPG equity injection structure; and o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc) <u>Considerations</u> • GA refinancing legislation could also include legislative changes to enable broadening of RRRP, expanding of OESP and establishing of FN delivery credit. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income. • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers.	• Report back to TBC/MBC by spring 2017, prior to going to LRC with any legislation, on the approach to refinance GA (per TBC/MBC Minute) • Report to TBC/MBC, LRC and Cabinet in spring 2017 (per Cabinet Minute) • Provide comfort level to allow OEB to include in May 2017 RPP • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure	• LDC working group kick-off March 14, 2017 • Report back to TB/MBC by Spring 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
	in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Fall 2017 implementation (per Cabinet Minute)
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% + new eligibility – Potentially early Spring. • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. Currently engaging OEB. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC by Spring 2017 • Program in place in 2017 (per Cabinet Minute)
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13M to $20M

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Work with LDCs to consider any bill messaging.	• Program in place in 2017 (per Cabinet Minute)
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, TBS, MOF and H1	• TBC/MBC Submission • Trust Structure • Transfer Payment Agreement (multi-party) <u>Considerations</u> • Legislative changes not required. • Funding needs to flow to the Trust prior to March 31, 2017.	• Ongoing engagement with Hydro One, LSB, OPCD, CSD on development of Transfer Payment Agreement (TPA) and Trust Declaration (including sharing of drafts for comment) • Hydro One to finalize establishment of Trust by March 17, 2017 **Week of March 20, 2017:** • Execute TPA between the Ministry and the Trust by March 22nd • Initiate process to flow funds to the Trust; to be completed before March 31st **April to May 2017:** • Additional trustees to be appointment; Trust develops further details, e.g. customer eligibility criteria and processes for LDCs to apply for funds; to be developed in consultation with LDCs **June 2017:** • Report back to TB/MBC with

Item	Key Deliverables / Considerations	Timing / Next Steps
		final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date to impact electricity bills this year (May 15, 2017). • Working with the Ontario Chamber of Commerce on a targeted outreach campaign.	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • Report back to TBC/MBC by spring 2017 (per TBC/MBC Minute) • LRC on March 11, 2016 • Effective May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD)	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	Considerations • Opportunity to highlight Market Renewal in the next LTEP. • IESO's stakeholder engagements on Market Renewal is ongoing. • Moving away from a two schedule system could impact consumer prices depending on implementation. • Most of the savings accrue from the move to a capacity auction. These savings do not materialize until the province has capacity requirements.	
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' Considerations • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs Considerations • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in spring 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
	o Agencies (i.e., IESO, OPG, OEB and H1)	
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion. • Awaiting formal letter requesting additional information
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion in April 2017 (TBD)

Summary of Legislative Changes

What follows is a summary of five categories of legislative issues that are currently being dealt with by the legislative team. There is significant overlap between the categories (for example, some of the basic legislative changes could be categorized as changes that are designed to address market considerations).

The drafting of the legislative amendments will be a very detailed and iterative process and drafts of the legislation are currently under review by the team. We also anticipate that the provisions will be reviewed by other experts (for example, US counsel and investment banking advisor). However, we do not anticipate that the primary categories of amendment will change.

1. Basic Legislative Changes Required to Bring the Program into Existence

For example:

- explain policy intent (inter-generational funding)
- revise the general objects/purposes of the legislation to permit the program
- add new objects and rights for IESO to permit IESO's role in the program
- add obligations for IESO to make payments with respect to amounts borrowed under the securitization, the repayment of interest costs or charges, and costs related to the operation or management of the trust or other entity
- provide authority to OPG to establish trust or other entity and its right to recover interest costs, charges, and operating and management costs
    - allow for Trust/SPV to warehouse funds
- define the regulatory asset and allow it to be bought/sold between IESO and Trust/SPV
- define (generally) the group of consumers who benefit from GA refinancing and who will be required to repay it
- establishment of the IESO's obligations

2. Legislative Provisions to Establish the Regulatory Role of the OEB

For example,

- OEB role in creation of the regulatory asset
- OEB role with respect to review of calculations as to amounts to be paid by ratepayers to satisfy the debt obligations

DRAFT

- OEB role with respect to "true-up" of GA calculations (annual or semi-annual)
- OEB role regarding administrative costs of the trust or entity

3. Legislative Provisions Related to OPG

For example,

- provisions to ensure that OPG has the legal authority to implement the program
- provisions to ensure that OPG's assets are properly ring-fenced
- provisions to ensure OPG has authority to create subsidiaries or other entities and transact with the Trust/SPV

4. Legislative Provisions to Address Market Considerations

For example, provisions to provide,

- the creation of the new trust (or other) entity and ensure that it is bankruptcy remote
- clear identification of consumer groups to whom the program applies ("RPP eligible")
- restrictions on consumer group's ability to "opt-out" or by-pass the charge (to avoid de-valuing the asset)
- establishment of the owner's clear right to the regulatory asset to enable payment of principal and interest to investors
- a re-set or true-up mechanism to enable the owner of the payment stream to account for differences between anticipated and actual performance of the GA
- a system to deal with sharing/pro-rating if the ratepayer pays less than the invoiced amount
- irrevocability of the owner's property right (or a surrogate for irrevocability)
- the establishment of a "true sale" of the regulatory asset

5. Addition of Legislative Provisions (to be considered)

- cap maximum GA refinancing in a year by dollar value
- set a maximum interest amount for GA refinancing debt after year 5

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- cap GA refinancing based on OPG financial ratios
- fix the date until which rate payers receive a discount for GA refinancing
- fix a total amount to be borrowed as “principal”, at which point further borrowing must service the debt and does not reduce GA paid by rate payers
- determine how surpluses in collections are to be applied (e.g. reinvest in GA reduction before new debt)
- cap increases to rate payer bills at no more than ■% in a year

DRAFT

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
March 15, 2017

Agenda

1) GA Refinancing
    - OPG Update
    - IESO Update
    - OPG Update
    - Legislative Drafting (LSB / Blakes)

2) Affordability Fund (CRED)

3) RRRP, OESP and FN (SNAP)

4) ICI (ESPD)

Notes:

From: Ronald Kwan
To: Nancy Kennedy (MOHLTC)
Subject: Fw: MO Bi-weekly agenda
Date: Thursday, January 26, 2017 10:41:30 AM
Attachments: Annotated Agenda MO Jan 23 2017_v3.docx

Hi Nancy,

I forgot to send you the annotated agenda for last Monday's meeting with the MO.

Ron

ANNOTATED AGENDA
MO UPDATE: January 23, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Electricity Price Mitigation: Debt-Financing Global Adjustment

The Ministry of Energy (ENERGY) has provided a presentation on an electricity price mitigation options, including an option to defer the pass-through to ratepayers of some generation supply costs by partially financing the cost of the global adjustment (GA) and incurring debt to pay the generators their contracted or regulated payments.

The options generally involve reducing current cost pass-through to consumers and deferring part of the costs for longer-term future recovery from consumers.

Energy's slides do not provide more details on implementation considerations.

- Based on some of Energy's illustrative charts, the relief would last to about 2022 / 2024, and the higher cost caused by the deferral would hit electricity bills of future ratepayers until 2042 or 2047.
- Preliminary discussions between CEFD and OPCD staff suggest that there are material challenges / fiscal and reporting risks associated with this proposal.
- OPCD staff have been contacted directly by Energy and they have met, along with KPMG and the IESO on accounting considerations.
- Additional provincial borrowing could put pressure on the Province's credit rating.
- Ministry of Energy has initiated an accounting analysis workstream and a legal workstream to put together potential legislative (including regulations) amendments that might be needed, including to the OEG regulatory framework.
- Meeting held on January 20 – attended by IESO, KPMG, Energy, OPCD and CEFD:
    - There was a brief discussion of the historical OEFC structure, noting that OEFC is consolidated into Public Accounts, and that OEFC has a bottom-line impact on the Province, so it is not a model to achieve the fiscal objective for the GA option.
    - Energy is also looking to the Regulated Price Plan as a potential model, writ large, for the GA option.
        - The discussion focused on the current practice of the IESO of not accounting for the "market books" (versus operating books).
        - CFO of IESO noted that it records its Global Adjustment activities, including draws on the line-of-credit with the OFA, under the market books, not on in its operating financial statements.
        - The RPP model discussed would require legislative changes.
        - Whether the current use of "market books" passes the scrutiny of accounting standards, PSAB or otherwise, is subject to further investigation. OPCD are having discussions with KPMG and IESO

counterparts on January 23 [today]. OPCD did raise the caveat that the AG may have its own view.

- Energy also briefly discussed the LDC option; however, it was considered to be problematic for LDC balance sheets.
    - It would also be complicated and time-consuming if it were to be implemented, and LDCs would likely not respond favourably.

2. Hydro One / Secondary Offering Update

3. Trillium Trust

- CEFD staff have been working with MOF Legal on the drafting of a regulation under the Trillium Trust Act to credit the Trillium Trust with the net proceeds from the secondary offering of Hydro One shares.

- As part of this regulation, staff are proposing to include language that would allow the Province to credit, over time, the Trillium Trust with the net revenue gains related to the Hydro One shares purchased by the Power Workers' Union (PWU) and Society of Energy Professionals (the "Society") as part of the IPO using Provincial loans, as well as the Hydro One shares purchased by OPG as part of the secondary offering.

- Staff are working closely with MOF Legal and Legislative Counsel to draft potential language for the regulation that would allow for on-going, future crediting of the Trillium Trust as the gains related to the sale of shares to the union trusts and OPG are realized, as opposed to introducing a new regulation to credit the Trust, e.g., each year. Legislative Counsel has indicated a preference for separate regulations.

4. Hydro One Brampton

- The sale of Hydro One Brampton to a new merged company ("Alectra", scheduled to be effective as at February 1, 2017) comprised of Powerstream, Enersource, and Horizon Utilities (typically referred to as "MergeCo") is tracking to close at the end of February.

- CEFD staff are working with EIGS staff, Torys and Hydro One Brampton on the final steps required to facilitate the transaction.

    - The key steps include the following:
        - At the Provincial Holdco level, swapping Hydro One Brampton debt for equity to sell the company debt free as per the agreement with MergeCo.
        - The payment of a dividend to the Province prior to the sale to bring the enterprise value close to the agreed purchase price of $607 M.

- Note that the "enterprise value" for the transaction is not the net fiscal benefit to the Province, as the book value, the value of the retained debt, and costs of the transaction have to be taken into account.

- **[NOT PUBLIC]** Based on a revised financial outlook provided by Hydro One Brampton, the sale would provide an estimated ~$160 M fiscal benefit to the Province (~$80 M gain on sale and ~$80 M in PILs). **[TBC]**

    - This is subject to change as Hydro One Brampton refines its information. Staff have also connected with OPCD to finalize the accounting treatment under a sale.

5. Outlook Forecast/OPG Business Plan

- CEFD received the draft OPG 2017-19 Business Plan from the Ministry of Energy and is drafting a list of proposed questions to OPG.

6. LTEP Consultations and the ALGP

- As part of the LTEP consultation and engagement process, Energy held information sessions across the province, including sessions in Indigenous communities.

- Energy staff have noted that there were comments at these sessions on the Aboriginal Loan Guarantee Program (ALGP) and new and emerging financing gaps in relation to Indigenous communities investing in energy projects.

- Energy staff have not provided details on these comments, but have requested a discussion on this and to explore options to address some of the issues.

7. Constance Lake First Nation

- Constance Lake First Nation (Constance Lake) have brought forward a grievance to the Ministry of Energy (Energy) and Ministry of Indigenous Relations and Reconciliation (MIRR), claiming that the First Nation was not properly consulted by the original developer of the Nagagami hydro project, which is located in the traditional territory of Constance Lake, and only agreed to participate under duress.
    - Constance Lake First Nation, along with Brookfield, are owners of the Nagagami hydro project. Nagagami has a non-utility generator (NUG) contract with Ontario Electricity Financial Corporation (OEFC).
    - Nagagami is a 15 MW hydro facility that has been in-service since 1996.

- In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which includes as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.

- The Nagagami project has performed poorly and has not provided significant returns to Constance Lake.
- Due to the facility's poor performance, the project has accumulated approximately $50 million in debt owed to OEFC.

- Energy staff have inquired about options that could be available under the NUG contract that could provide benefits to Constance Lake, if it was determined that the First Nation's grievance needed to be settled.
  - Staff for OEFC have noted to Energy staff that OEFC would not make general adjustments to the PPA related to settling a grievance without direction from the Minister of Finance.
  - Staff for OEFC have also noted that OEFC does have a process by which NUGs that are not financially viable under their existing contract may make a submission requesting changes to the PPA.

8. Global Adjustment Lawsuit

- On January 19, 2017, the Supreme Court of Canada dismissed OEFC's application seeking leave to appeal the Ontario Court of Appeal decision on OEFC's compliance with the payment provisions of 12 Power Purchase Agreements.
  - On April 19, 2016 the Ontario Court of Appeal dismissed OEFC's appeal of a March 12, 2015 lower court decision.
  - On March 12, 2015 the Ontario Superior Court of Justice determined that OEFC has incorrectly calculated payment provisions of 12 Power Purchase Agreements.

- While OEFC's position has consistently been that it has administered these power purchase agreements in a manner that it believes has been correct, OEFC has been complying with the decision and orders of the lower courts, and no further avenues of appeal are available.
  - OEFC made retroactive payments of approximately $180 million in the fall of 2016 to the applicant non-utility generators (NUGs) for electricity delivered during the period from January 2011 to January 2015 that predates the Ontario Superior Court decision.
  - As well, for electricity delivered from February 2015 onwards, the applicant NUGs have been paid at rates determined in accordance with the Ontario Superior Court decision. Therefore, the Supreme Court decision requires no further changes to the manner in which OEFC determines the payments to the applicant NUGs.

- There are several NUGs not involved in the lawsuit which have PPAs that contain similar terms and price provisions as those that were under consideration by the courts. As OEFC's application for leave to appeal was unsuccessful, OEFC may also have to address payments under these PPAs.
  - As OEFC recovers the full cost of contracts through the Global Adjustment, there is no impact expected on the stranded debt. This recovery is done through the monthly settlement process of the IESO.

ANNOTATED AGENDA
MO UPDATE: January 23, 2017

OTHER ISSUES

9. FAA Section 28 Sharing Protocol

- Minister of Finance approved the protocol on January 9
- President of Treasury Board approval is still pending
- Sharing protocol will be shared with all DMs via a joint memo from DM MoF and DM TBS
- An OFA/MOF/TBS working group is reviewing options for modernizing s.28 of the FAA, for possible inclusion in a 2017 Spring bill.
- Regulation has been drafted for college class exemption and is being reviewed by MAESD. The regulation would exempt transactions above certain percentage thresholds from requiring s. 28 approval. Exempt transactions would still be subject to ministry oversight (to be spelled out in a binding policy directive prepared by MAESD).
- Regulation for OLG/LCBO class exemption to be drafted by RAOD in early 2017 along with a financial directive.

10. Ontario Climate Change Solutions Deployment Corporation (OCCSDC)

- OFA staff to meet with MOECC representatives on Jan 23rd to discuss how key roles and responsibilities could be shared by the OCCSDC and the OFA. Key information on the OFA/agency relationship will be included in MOECC's report back to TB on the final regulation setting up this agency as well as the accountability framework and some details on programs offerings.
- The purpose of the agency is to accelerate the deployment of greenhouse gas reducing technologies, through services, offering grants and rebates and using financing tools to ensure Ontario residents and businesses can access low-interest financing for these technologies.

11. Highway 427 Expansion AFP Project – S. 28 approval

- OFA has received Project Agreement drafts from IO Legal to start section 28 approval process
- MTO has yet to provide formal request along with other supporting documents
- Kick-off meeting with OFA, MTO, IO and MOF Legal to be scheduled for next week.
- Commercial close is scheduled for February 28 while financial close is scheduled for March 3.

12. MAESD as Guarantor for UOIT's $220M Debenture

- MAESD is contemplating replacing Durham College as guarantor of UOIT's debenture.

- MAESD staff agree with the college that the guarantor covenants are too restrictive for the college to manage its capital needs.
- MAESD staff will brief their senior management about whether to proceed to TB with submission.
- CFB staff have informed MAESD staff what steps would be required in order for MAESD to take on the guarantor role so that senior management at MAESD can make an informed decision.
- It would not be appropriate for MAESD to simply take on the guarantor role for Durham College, as the covenants written in the case of the college as guarantor would not be appropriate in the case of the Province, e.g., restrictions on disposition of assets and cross-default provisions.

13. OCWA

- OCWA is seeking approval for an investing by-law to allow OCWA to make short-term investments of surplus funds, for the period of 2017 to 2018.
    - Only funds not currently required for OCWA's immediate operating or capital needs would be invested, and would be done so with the assistance of the OFA.

- OFA staff have reviewed the by-law, as well as an associated statement of investment policies and procedures, and recommend that the Minister of Finance approve the by-law.

- This by-law must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance before it can take effect. The Minister of the Environment and Climate Change has approved the by-law.

From: Gadi Mayman
To: Ken Kandeepan; Ronald Kwan
Cc: Christina Zhang; Gavin He
Subject: Fw: OFHP Update
Date: Thursday, March 23, 2017 5:50:52 PM
Attachments: TOR_2024-#12889484-v2-Update.docx

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, March 23, 2017 2:55 PM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan; Vivienne Skoberne (MOHLTC)
Subject: OFHP Update

Hi Dave,

Please see the following update from this morning's Fair Hydro Plan discussion. Gadi, please jump in if there is anything that I have missed.

- **Global Adjustment Financing updates**
  - Blakes: (see attached document)
    - Moving away from a deferral to characterizing as a program of spreading costs over multi-generations (moving away from coal)
      - This is one of the major tools to defend against a challenge (matching with asset life)
      - Ideal if can demonstrate overpayment by current and past ratepayers = deferral
      - Further bolstered by a study from Navigant to demonstrate long lived assets
      - Aiming to reduce risk
    - Requirements for the Asset:
      - Needs to be clearly defined
      - Needs an effective collection process
      - Need to deal with opting out to ensure lenders are protected
      - Cash flow mechanisms between OPG, IESO and customers are complex (challenge to draft accurately)
      - Will lenders accept next tranche paying interest for the previous tranche? OPG is working through this and believe they have a viable path
      - How to determine timing around when OPG purchases the asset from IESO?
        - Monthly or every 3 months (or when OPG goes to market)
        - Action: OPG will return with a proposal
    - Legislation
      - Recovery needs to link to consumption of energy
      - Need to see clear link between customer, IESO, OPG
      - No calculations in legislation (instead in regulation)

Working through American legislative equivalents
    - Goldman is doing something similar from a market perspective in US and RBC/CIBC in CDN to understand what is required
- ENE will share a first draft of the materials for first review
- Pens down April 17th (although may be some flexibility on that)
- LRC on May 1st, also TB report back
- Introduction on 4th of May

- OPG:
  - OPG Board Committee up and running (will align with legislative timeline)
    - Draft Dec/Res underway (needed in 1/2 weeks)
    - Indemnity for Board would include in Dec/Res, will require Section 28 (include in May 1 meeting)
  - Question on doing some of 51% from OFA (still working through this, market disclosure may be required, which could erode value of the lead order)
  - Bank discussions:
    - Met yesterday
    - Lead banks considering this as a hybrid vehicle (not just securitization)
      - Can tap several markets so better pricing
    - Challenge to define capacity for the trust vehicle
      - Banks asked to define what is required as lender's protection (financing covenants, ratings etc.)
  - Building more robust financial model to support credit rating and financing discussions
  - Meet with rating agencies in next few weeks
    - Will also seek their perspective on what is required in legislation
  - Number of legal documents being developed in parallel
  - Plan to embed OFA team members with OPG as discussions progress
- IESO:
  - Operationalizing social programs, RPP - going well
  - Need to talk to OFA about terms and size of line of credit in order to ensure it will be sufficient for GA refinancing
  - Board approved 2016 financials
  - KPMG will begin working through an accounting opinion for GA financing once more specifics on legislation are available
  - Question to the group: can we create a regulatory asset in legislation?
    - IESO suggests this is possible
    - Can link into RPP setting process, use existing processes rather than establishing something new
    - Blakes: amount must be collectable, no process can diminish that right, so needs to be up front if anything
    - OPCD suggests role for OEB needs to be robust
- OEB:
  - RPP:
    - Comfort letter to take into account in RPP, not want to be prescriptive
    - In process of forecasting RPP

Mid-April announcement (after Easter)
        - 8 utilities involved
    - Less clarity in role for OEB in reviewing and establishing the IESO regulatory asset (per above)
        - Need to balance financing and accounting requirements
        - Further discussions are required

- **OESP**
    - Regulation posting finished April 8th, submit for LRC approval on April 10th
    - Implemented on May 1
    - Board decision removing charge from bill (stop collecting)
    - "wet" signature (physical signature requirements) considerable impediment to signing up customers
        - MoF engaged with CRA to find a way to reduce the burden of this requirement
    - ENE engaged with MoF / CRA to ensure new OESP levels remain tax exempt

- **FN rate**
    - OEB has not yet posted report because some inconsistency on how to move forward
        - Inclusion of non-First Nations living on-reserve
        - Neither Chiefs, nor Hydro One thought it would be difficult to include verification
        - ENE staff suggest there may be technical challenges to this level of micro-targeting
    - OEB will require a letter from Minister acknowledging receipt of report, and providing clarity on implementation

- **Affordability Fund**
    - Will trigger flow of funds prior to end of month to Computershare acting as Trustee
    - Administrators of the Trust will likely be relevant subject-matter experts appointed from LDCs and Social assistance agencies
    - Report back to TB once $100M is close to exhausted to review how it is being deployed and to consider flowing of next $100M

- **Industrial Conservation Initiative**
    - Regulation posted
    - April 10 LRC for approval
    - Ontario Chamber of Commerce TPA finalized to assist with consultations
    - ENE also meeting with Canadian Manufacture Enterprise to discuss potential role in the roll out
    - Assembled ADMs (MEDG, Env, Labour, MoF) to discuss competitiveness

- **AG Meeting**
    - As part of its IT audit of IESO, the AG's Office has asked for all Cabinet submissions relating to the OFHP (Feb and March submissions, Binnie opinion, White papers etc.)
    - ENE, TB and MoF staff to meet with the AG's Office on April 19th

- **FAO Request for Information**
    - Package responding to questions will be sent out tomorrow (joint between ENE and MoF)

- **Bill presentation**
    - Strong interest from the Province in presentation of the OFHP on customer bills
    - ENE staff will begin to work something up for review

Scott

Legislative Changes – Update

The legislative team is currently working through a number of detailed issues surrounding possible transaction structures to ensure that the legislative framework provides appropriate flexibility.

What follows are some of the issues currently under consideration by the legislative team:

1. "Deferral" Characterization

- The concept of "deferral" mischaracterizes the true nature of the program
- GA Smoothing Program is intended to spread the cost of the generation assets to which the GA applies among the present and future ratepayers who will be expected to benefit from such assets (having regard to the useful life of the assets in question)
- Linking the charges to the useful life of the assets, and spreading the costs more fairly across the generations of ratepayers benefitting and expected to benefit from the assets, helps to make it clear that the program costs are intended to be a regulatory charge to ratepayers and not an indirect tax

2. Market Considerations

- Capital market requirements are becoming clearer, including the elements surrounding the definition of and rights related to the regulatory asset, and further refinement will be necessary as we obtain more specific input from financial advisors and stakeholders
- The obligation to pay must be a traceable obligation directly to the individual consumers in the applicable rate class and the legislation must provide for a pre-agreed collection mechanism
- An issue being considered is whether there will be any concern by the market that the cash flow needed to service all of the financing costs due within any period will be constrained by the policy objective regarding maximum annual rate increases for the relevant class of ratepayers. Consideration should be given to ways to provide certainty of cash flows in circumstances where payments under the financing obligations become due prior to the corresponding cash flows from the regulatory asset are available.

3. Timing and Frequency of Sales of the Regulatory Asset to the Financing Entity

- What triggers a sale of the regulatory asset from IESO to the Financing Entity?
- Until a sale occurs, IESO will need to finance the shortfall. For what duration?
- Bond issuances will not occur monthly – and the timing of long term financing in the capital markets will, in part, be linked to market conditions.
- Which entity (IESO/Financing Entity) will obtain non-market-based funding (for example, bank financing) until market-based funding is obtained (both at the outset and throughout the life of the program)?

- Would the funding of any shortfall occur no matter what the conditions are in the financial market or the electricity market?

    - Electricity market: large fluctuations (e.g. rise) in commodity price of electricity could materially impact the amounts which need to be borrowed annually

    - Financial markets: borrowing could become very expensive for any entity (IESO or OPG/Trust/SPV). Should the program be made to change, stop or adapt to these kinds of material changes?

4. Conditions to Sale of Regulatory Asset and to Market Transactions.

- The team is working to identify appropriate conditions to the sale of the regulatory asset and to new financings and the incurrence of related costs, given that the financing costs incurred will automatically get passed through to the ratepayers. The location of any such requirements (legislation, regulation, etc.) is currently being determined.

- At the most general level, consider whether there will need to be any required approvals, including approvals over financing costs to be incurred (e.g., including a determination if third party costs are reasonable) prior to any particular financing transaction?

- Should OPG be guided by any prescribed rules or principles when making decisions about financings (e.g., decisions about short term vs. long term financing)?

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Anna Strathy; "Gavin.He@ofina.on.ca"
Subject:	Fw: OFHP Update
Date:	Thursday, April 06, 2017 6:50:38 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_Mar 6.docx Consolidated - OFHP Matrix - Week of April 3.docx FHP Policy Foundations 04 04 2017 v.3.docx

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From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, April 6, 2017 10:35 AM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: OFHP Update

Hi Dave,

Please see the following update (and attached materials) from this morning's rate mitigation meeting:

GA Financing

Legal Update

- Fair allocation plan (think of this as the line showing savings and costs to ratepayers associated with this program over time)
  - Province has set plan for deferrals for the first 4 years (25% and annual increases tied to inflation)
  - Need process (within pre-set parameters and input from OPG) to determine path for deferrals and recovery for subsequent years (5-30)
  - Originally viewed Province as taking a role in setting out this path
    - Feedback from market that Province should not be involved
  - Need to determine appropriate lead entity (e.g. OPG or IESO)
  - Need to be linked to life of underlying assets in order to mitigate constitutional risk
  - Consider 1-2 year refresh on the plan
  - Structure is still in flux
- Treasury Plan
  - OPG Trust sets this plan
  - Limited oversight in order to ensure OPG Trust can raise $ in the market at a reasonable cost
  - Must fit within the limits set by fair allocation plan (but can vary under the cost curve depending on market and interest rate realities)
  - Once specific bonds issued, fair allocation plan cannot override
- Role for OEB
  - Needs to be extremely limited in order to meet market requirements
  - However need to project consumer confidence
  - Options are currently under reivew

- Collectability is a key point that requires a number of provisions in legislation including
  - Irrevocable charges
  - Role of LDCs, IESO in collections
  - Non-bypassability (exiting the electricity system / going off grid)
- Provincial back-stops
  - Springing guarantees that arise in the event Province takes certain actions that erode value to bondholders
  - Need to be limited and contingent in order to meet accounting tests
  - Dealers considering whether this needs to be in legislation or in a side agreement
  - Want to make sure that it is narrowly focused in terms of triggering events to cover only material impacts and avoid unintended consequences (investors taking legal action)
    - Over time as relevant policy changes are implemented, trustee may look to a 3rd party (e.g. opinion, ratings confirmation) to ensure that value of debt is not degraded
- If Province takes on any of the debt, need to determine what can happen from an accounting perspective. Situations to review:
  - Temporary freeze on borrowing markets
  - Permanent impairment of OPG's ability to purchase a portion of the asset from IESO (in this case may need a guarantee from the Province)
- Timeline for legislation
  - Pens down April 21
  - May 1st TB, LRC, Cab
  - May 4th introduction
  - Currently working from a Blakes document as a straw-person that would act as instructions to legislative counsel
  - Driving to timeline, very aggressive

OPG

- Special committee of the board met last week
  - RBC, CIBC, Goldman included
  - Discussed this is much larger than past models
  - Imperative that this structure follows past transaction models
  - Also reviewed stress scenarios (interest rates are most impactful)
- Shareholder letter
  - Providing to committee tomorrow and will share with government thereafter
- Reviewing sub-debt attributes
  - Certain characteristics needed in order to support senior debt financing (most notably will take on longevity risk)
    - Characteristics of the sub-debt would drive pricing (not tied to Province's cost of funds; likely to be higher interest rate)
  - At minimum, want to ensure that OPG's earnings are higher to offset incremental IOD to the Province

OEB

- Comfort letter from the Province is nearly ready, hopefully tomorrow

- Balancing amount of information needed

IESO

- Want to narrow issues to what is needed in legislation
- Regulatory asset
    - Speaking with KPMG today
    - Meeting with ENE today to discuss business issues

Affordability Fund

- Advisory committee established to recommend final trustees
    - Will start mid-month deliberations
    - By May 31
    - 3 from LDCs and 2 from social services
- Hydro One is providing logistical support

Social programs (OESP, FN Rate, RRRP)

- Same timelines for approvals as GA
- Lots of details to sort through in regulation once legislation in place
- Give comfort to LDCs, IESO, Board in terms of what will be included in regulations in order for them to begin implementation
- Appearance on Energy Financials:
    - Will have flexibility to flow funds between programs while ensuring transparncy (4 line items but not executive control on each)
    - ENE could move $ between programs without TBS approval
- OESP: May 1 implementation of enhancements, OEB using up existing funds so no immediate draw on fiscal plan, working with social program ministries to assist with implementation, working with MoF / CRA to remove wet signature requirement
- RRRP: plan to have in place by July 1 for 8 utilities; retro-active start as safety valve if needed for utilities with more limited capacity to move quickly
- FN Rate: working to set up a meeting with COO to discuss options (for next week), Province does not want to be involved in choosing who is FN therefore plan to determine eligibility solely on the basis of geography

ICI

- Expanded to include greenhouses
- Need to meet 500kw threshold
- Were already eligible at 1MW; therefore, not many that aren't already been captured
- Seeking LRC regulatory approval April 10th
- Working with CME, OCC on outreach campaigns on benefits of ICI and other conservation initiatives

Bill Presentment

- Will not attempt to change the bill for July 1
    - If try to be more aggressive on changes to the bill may jeopardize implementation
- Want a larger re-work, look at all the constraints and regulations

For example, reconsider changing name of "delivery"
    - Timing: fall for re-design
- In the interim, want an insert that shows %

AG

- Walk through with ENE / MoF staff on April 19th
- TBS will share technical materials in advance

FAO

- Submitted materials last week
- Will circle back to determine status

Thanks,
Scott

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 6, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

3) Bill Presentment (SNAP)

4) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 3, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation • Defining mitigation and recovery mechanism; and • Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg. 95/05) • Shareholder Resolution (work with OPG to determine form) • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market	• IESO Board meeting on April 11, 2017 (TBD) – ESP to present on OFHP • AG briefing on April 19, 2017 (TBD) • Provide comfort level to allow OEB to include in May 2017 RPP • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes will continue to work through legislative drafting issues • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature. • Legislative walk-through and working group meetings Monday and Tuesday • ENERGY / Blakes / IESO / OEB / OPG to meet on Tuesday to work through issues related to legislation • LSB / Blakes to brief OPCD on legislation • KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions • Blakes / OPG to work through financing issues related to 10% cap • Blakes / LSB to work with MAG on a second constitutional law	

Item	Key Deliverables / Considerations	Timing / Next Steps
	opinion from Peter Hogg • TD being engaged through OFA to provide financial advice • ESP to make presentation on GA financing at upcoming IESO Board meeting <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd and March 24th • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 1, 2017 (TBD) • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP/LSB working on LRC package for OESP enhancements • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • Board decision this week on removing OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 1, 2017 (TBD) • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. <u>Considerations</u> • Legislative changes not required.	**April 7, 2017:** • Briefing for Advisory Committee members **April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) • ESP to consider implications of dropping below 500kw threshold due to investments in conservation <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • Ministry preparing responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion on April 19, 2017 (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment	• Initial discussion on March 31, 2017

Policy and Legal Foundations for the Proposed Ontario Fair Hydro Plan Act
April 4, 2017

Creating the Regulatory Framework

- Principles will link the benefit of the "Green Generation Initiative" with the regulatory cost that future rate payers will pay
- Need to name and articulate "Green Generation Initiative"

Fair Allocation Plan

- Policy direction around intergenerational funding will be established by the Minister of Energy
- The Fair Allocation Plan has been determined for the 1st four years, as set out in the March 2nd announcement
- Should there be a process around the Fair Allocation Plan [or as necessary]?
- [Role for the OEB?]

Treasury Plan

- Created by OPG to implement the Fair Allocation Plan
- Will pass through actual costs and expenses of funding obligations incurred
- 3 components:
    - Treasury Plan must be compliant with principles and parameters of the Fair Allocation Plan;
    - The Plan must match maturities to allocations under the Fair Allocation Plan, as well as achieve funding efficiencies and cost management articulated in the Fair Allocation Plan; and
    - Implementation
- Should [Minister?] [OEB?] review [and approve?] the Treasury Plan? At what point in process?

Establishment of the Regulatory Asset

- Right to recover from rate payers, through collection by LDCs and IESO, the regulatory charge, late fees, interest established by legislation
- IESO may dispose of (by assignment, transfer, sale, etc.) its right, title and interest in the Regulatory Asset
- Legislation will create property rights and allow for security interests in the Regulatory Asset
- [Role of the OEB in establishing the Regulatory Asset?]
- Role of OPG in acquiring the asset?

Ensuring Collectability

- Clearly defined class of rate payers that receive and pay for the benefit
- Charges are irrevocable
- LDCs have duty to invoice rate payers for the charge
- IESO and LDCs have duty to collect charges as agent and pay remittances to IESO
- IESO has duty to pay remittances to the Regulatory Asset Owner
- Non-by-passability – subject rate payers who opt to go off grid to a penalty (prepayment)?
- True up mechanism to reconcile collections with incurrences
- Province shall not take steps to reduce, alter, impair or terminate the Regulatory Asset or collection

OEB Role

- [Inspect books and records?]

DRAFT

- [Approve administrative costs?]
- [Prudence review of financing costs?]
- [Consequences of OEB review?]
    - Ability to review
    - Ability to review and make recommendations (non-binding)
    - Review and approve or refer back for reconsideration (binding)

Provincial Guarantee

- Scope / Triggers / Consequences / Form

DRAFT

From:	Gadi Mayman on behalf of Serge Imbrogno (ENERGY)
To:	Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Reid, Michael (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
Subject:	Fw: Rate Mitigation Implementation Group

From: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>
Sent: Friday, August 4, 2017 8:49 AM
To: Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Reid, Michael (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
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Subject:	Fw: Rate Mitigation Implementation Group

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Sent: Friday, August 4, 2017 8:48 AM
To: Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Betty Wilson (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
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Subject: Fw: Rate Mitigation Implementation Group

From: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>
Sent: Tuesday, July 18, 2017 2:13 PM
To: Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Michael Reid (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); 'Sarah Branco'; peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; 'Rosemarie Leclair'; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); 'Martine Band'; 'ceiran.bishop@oeb.ca'; Hillary Armstrong (ENERGY)
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Subject: Fw: Rate Mitigation Implementation Group

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Sent: Wednesday, June 21, 2017 9:23 AM
To: Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Matthew Kitchen (ENERGY); Michael Reid (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); 'Sarah Branco'; Campbell, Bruce (bruce.campbell@ieso.ca); Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; 'Rosemarie Leclair'; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); 'Martine Band'; 'ceiran.bishop@oeb.ca'
Subject: Rate Mitigation Implementation Group

From: Gadi Mayman on behalf of Serge Imbrogno (ENERGY)

To: Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Erin Thompson (ENERGY); Michael Reid (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); "Sarah Branco"; Campbell, Bruce (bruce.campbell@ieso.ca); Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Colleen Waddell (ENERGY); Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Paul Johnson (ENERGY); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; "Rosemarie Leclair"; "LEE John - TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)

Cc: Sarah Branco; Mary Anne Aldred

Subject: Fw: Rate Mitigation Implementation Group

From: Gadi Mayman on behalf of Serge Imbrogno (ENERGY)

To: Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Erin Thompson (ENERGY); Michael Reid (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); "Sarah Branco"; Campbell, Bruce (bruce.campbell@ieso.ca); Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Colleen Waddell (ENERGY); Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Paul Johnson (ENERGY); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; "Rosemarie Leclair"; "LEE John - TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)

Subject: Fw: Rate Mitigation Implementation Group

Ron, I'm getting my new furnace/AC put in on Thursday, so could you fill in for me here?

Thanks
Gadi

From: Imbrogno, Serge (ENERGY)
Sent: Friday, May 19, 2017 4:28 PM
To: Imbrogno, Serge (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Erin Thompson (ENERGY); Michael Reid (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); 'Sarah Branco'; Campbell, Bruce (bruce.campbell@ieso.ca); Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Colleen Waddell (ENERGY); Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Paul Johnson (ENERGY); Matt Whittington (ENERGY); JUDY.WILSON@blakes.com; 'Rosemarie Leclair'; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Group
When: Thursday, June 8, 2017 8:30 AM-9:30 AM.
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From:	Gadi Mayman on behalf of Serge Imbrogno (ENERGY)
To:	Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Sam Colalillo (ENERGY); Edwards, Matthew (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); "peter.gregg@ieso.ca"; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Gadi Mayman; Tim Christie (ENERGY); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Manoharan, Kesayini (MEDG/MRIS); Murray, Maud (ENERGY/MEDG/MRIS/MOI); Yordi, Samer (ENERGY); "Dianne Hayes"
Cc:	Moore, Karen (CAB); Sunita Chander (ENERGY)
Subject:	Fw: Rate Mitigation Implementation Group

From: Imbrogno, Serge (ENERGY)
Sent: Tuesday, November 28, 2017 11:51 AM
To: Imbrogno, Serge (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Sam Colalillo (ENERGY); Edwards, Matthew (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); 'peter.gregg@ieso.ca'; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; Tim Christie (ENERGY); Matt Whittington (ENERGY); 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Manoharan, Kesayini (MEDG/MRIS); Murray, Maud (ENERGY/MEDG/MRIS/MOI); Yordi, Samer (ENERGY); 'Dianne Hayes'
Cc: Moore, Karen (CAB); Sunita Chander (ENERGY)
Subject: Rate Mitigation Implementation Group
When: Thursday, December 7, 2017 8:30 AM-9:30 AM.
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Gavin He; Anna Strathy
Subject:	Fw: Rate Mitigation Implementation Meeting - April 20, 2017
Date:	Thursday, April 20, 2017 3:39:49 PM
Attachments:	Action Items April 20.docx

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Thursday, April 20, 2017 3:08 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - April 20, 2017

Attached are the action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-19-17 5:11 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 20, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

Action Items – April 20, 2017

GA Refinancing

- LSB / Blakes to turn around revised document today with comments due by end of day Sunday
- IESO / OPG to work together on outstanding issue regarding OPG cash flows
- OPG to draft terms of guarantee to dealers which will be presented to dealers
- MOF (IGS) to work through equity injection mechanics and will report back next week
- IESO to work with KPMG on IESO recovery mechanism
- Pens down on refinancing legislation April 28

Other OFHP Initiatives

- Pens down on social program legislation April 28
- ENERGY working with MCSS on automatic enrolment
- ENERGY meeting with COO next week on FN rate
- ENERGY / MOF / OEB / ICF discussions with CRA ongoing on wet signature
- Affordability Fund advisory committee met this week and reached consensus on three LDCs + two social agencies to be represented on Trust Board (Ottawa Carlton UW / Advocacy Centre for Tenants Ontario / Thunder Bay Hydro / Hydro One / Alectra)
- ENERGY continues to work with OCC / CME on targeted outreach regarding energy programs for business, including ICI

Other Items

- ENERGY drafting TB / LRC submissions as well as presentation to Cabinet – May 9, 10

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Anna Strathy; Gavin He
Subject:	Fw: Rate Mitigation Implementation Meeting - April 20, 2017
Date:	Thursday, April 20, 2017 1:40:04 PM
Attachments:	the-economic-cost-of-electricity-generation-in-ontario-april-2017.pdf

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, April 20, 2017 11:51 AM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: Rate Mitigation Implementation Meeting - April 20, 2017

Hi Dave,

Here is my next installment of Thursday OFHP. Note that I have attached a report from IVEY, referenced later in the document.

- AG discussion (Yesterday):
  - ENE Lead, walked through the March technical briefing presentation
  - TBS DM suggested that this was the first of several meetings and considers this to be a high level, first pass
    - Lots of moving pieces where the Province does not yet have clarity
    - Will take back questions and will respond once it has more certainty on structure
  - The AG and staff had the following questions:
    - Legislative precedent of shifting ratebase to tax base, and can the tax base support these additional charges?
    - Why use trust mechanism for Affordability Fund, and should the Trust be consolidated?
    - Seeking more details on the accounting for the OFHP and wanted reports to justify what is set out in the Budget
    - Also seeking independent studies to back up 30 year contracts (ENE referenced Ivey report)?
    - Asking about mechanics of the OPG Trust, OEFC lending etc.?
    - What was used to brief the FAO?
- Legal Update
  - Timing Update
    - Pens down now on the 28th
    - May 9th TB
    - May 10th Cab
    - May 11th introduction
  - Latest large legal discussion took place on Monday
    - This was the first run through of legislation draft (up to that point discussions focused on turns of instructions to leg. counsel)
  - Current Status

- Turning a new draft today
- Trying to find balance and working through all the wording from various parties (some of which is inconsistent)
- Received very detailed feedback from OPG / Torys and others
- In all-night drafting stages
- Trying to balance stakeholder consultation time and drafting time

o Tension between enabling the transaction in legislation and embedding the transaction in legislation
- Determining how many questions need to be answered now and what can be pushed to regulation / commercial agreements
- Legislation will include indications to regulations, but will not have all filled in
- Difficult because American examples embed transaction in legislation

o At least one more turn of legislation
- If comments quickly, may be able to turn more than once
- Seeking comments by no later than Sunday

o Business Issues
- Guarantees
  - General powers to be enabled in legislation and details will flow in regulations / commercial arrangements
  - MoF / TBS suggests Minister of Finance should have power to provide guarantees under FAA
  - First ask from dealers included several elements that would likely not be palatable to the Province
    - For example, a make-whole penalty which creates a very expensive break fee
  - OPG and OFA to develop a set of proposed guarantees, rather than negotiating with dealers
- OPG requires cash flows immediately (interest payments starting on Day 1)
  - Need to meet this objective while meeting the Province's commitment to reduce rates by 25% and maintain increases at inflation for next 4 years
  - Without these payments there would be an adverse effect on credit metrics, and earnings (fiscal)
  - Response:
    - IESO will pay interest costs to OPG Trust on an ongoing basis, funded through its line of credit, resulting in a larger deferral
    - OPG Trust would then purchase the deferral from IESO (consistent with mechanism already being contemplated)
    - Need to determine accounting impact to IESO, KPMG's preliminary view is that this will work
- Should Province / OPG be targeting AAA rating and what is the impact of Provincial guarantees?
  - Interaction with required Provincial guarantees
    - Fed example of Muskrat Falls, no make-whole, convert to Canada bonds, still trades 80 bps back from Canada
  - Regardless of rating, will trade back from Ontario

        - S&P tends to focus on back-stop more so than Moody's, DBRS, so may have a split rating
            - S&P more focus for US investors so may not be as relevant if Canadian focus initially
        - AAA rating helps for securitizations and important to aim as high as possible given unique structure (needed in order to attract those investors
        - Important target, but need to avoid setting up potential expense of $100s of millions in break fees
    - Approvals for equity injections
        - Need to have appropriation approvals in TB sub
        - Focus on an annual approvals process, followed by a streamlined monthly flow of funds
        - EIGS (me) to work through this with OFA, OPG and TBS and report back
    - Con Law issue
        - Navigant engaged by ENE and working through an analysis of the underlying life of assets
        - Lawyers working on reverse engineering legislation to ensure it is constitutionally sound

- OPG Update
    - Special Board committee yesterday to briefing on status of legislation
    - Formal approval May 5th from Board
    - Accounting letters now working through process (E&Y letterhead, they are in agreement)
    - Credit Rating process
        - Will approach rating agencies post-regulations, with a framework for commercial agreements
        - OPG anticipates ~1 month to receive preliminary view from rating agency
        - And a few additional weeks to finalize
        - Final rating will come once contractual arrangements are in place
    - OPG working with IESO on operations and framework of how the purchase and sale agreement will work
        - Iterative process starting now
        - Will need to move as legislation / regulation develops

- IESO Update
    - Discussions with OFA on enhanced LoC underway
    - Accounting opinion in development
        - Main focus on risk to IESO in event OPG in future does not purchase the asset (need recoverability from ratepayers without taking away from rights of the Trust); dealers do not want to keep layering on additional charges to ratepayers
            - Ok if Province owns separate cash flow, but not so comfortable if IESO then sells to a separate financing entity (worried about prioritization)
            - Can the Province backstop without a fiscal hit on the entire transaction structure

- IESO IT Audit
  - May be looking into Market Surveillance Panel functions
  - Meeting Tuesday afternoon with AG on the OFHP (plan to state this is still in process)

- OEB
  - Today the RPP for May will be announced
    - Taking into account all elements of the Fair Hydro Plan that seemed prudent to include
    - OEB seemed to suggest 50% now and remaining 50% dependent on legislation implemented so anticipate a further change to rates on July 1
  - Need more details on OEB's anticipated role in setting up regulatory assets

Social Programs

- RRRP
  - Meeting of LDCs earlier in the week (43 attended)
  - ENE provided update on activities underway
  - Re-enforced need for updates to systems by July 1, and LDCs were receptive
  - Discussed bill presentment and LDCs were comforted that only limited changes needed now, more extensive changes in the fall
- OESP
  - Working through legislative changes in support of this initiative
  - MCSS and ENE working to get to automatic enrollment, and appear to have a path
  - Discussions with CRA underway, received message that this is a priority to remove wet signature requirement
- FN rate
  - ENE sitting down next week (Wed) to discuss operationalizing credit with COO
- Affordability Fund
  - Advisory committee met on Tuesday
    - Consensus on selection of Trust representatives
      - Hydro One, Alectra, Thunder Bay Hydro
      - Ottawa-Carleton United Way, Advocacy Centre for Tenants of Ontario
    - Will follow up on specific representatives from those organizations
    - Given AG questions, important to move on this as quickly as possible

ICI

- Shifted beyond approvals
- Working with OCE and CME on outreach campaigns
  - Asked to participate in next AGM of OCE to provide overview of ICI
- Also coordinating with LDCs to advise them of changes

Other Updates

- TB May 9th
  - Will include social programs
  - GA smoothing legislation

    - Appropriation approval for equity injection
- IVEY Energy Centre released a report that walked through the merits of GA Smoothing (attached)
- Will re-schedule the next meeting for Tuesday, recognizing budget release date is next Thursday

IVEY Business School
WESTERN UNIVERSITY · CANADA
Energy Policy and Management Centre

Policy Brief
April 2017

The Economic Cost of Electricity Generation in Ontario

EXECUTIVE SUMMARY

- The overall cost of electricity generation, which accounts for almost two-thirds of Ontario's total system costs, has increased significantly since 2005 mainly due to a substitution away from coal generation towards more costly renewable sources, and a parallel increase in the total amount of installed capacity in the province, notably due to an expansion in the amount of natural gas capacity.
- The unit cost of electricity generation is approximated by the sum of the wholesale market price and the Global Adjustment. Wholesale market prices reflect, in part, short-run variable costs, but often fall short of the total cost of producing electricity, which includes significant fixed capital costs. The Global Adjustment is a mechanism that, in conjunction with the wholesale hourly market price, ensures recovery of variable and fixed generation costs. As such, the Global Adjustment is not an overpayment but a component of the full economic cost of generating electricity.
- Recent increases in consumers' electricity bills have been driven in part by the rapid expansion of generation capacity in the province, much of which has been financed under 20 year contracts with private firms. Current rates and electricity bills could be reduced by amortizing contracted generation capital costs over longer periods to match the productive lifespans of the assets, often longer than the contracted terms. The cost of generation charged on consumer bills would then more closely reflect the economic cost of the assets. A policy of smoothing generation costs through government subsidies in the short-term would incur interest charges and would lead to higher bills in the long-term.

INTRODUCTION

This report brings an economic perspective to the analysis of electricity generation costs and prices in Ontario. Generation accounts for approximately two-thirds of Ontario's total electricity system costs, making consumers' electricity bills particularly sensitive to changes in generation policies and the cost of ensuring that sufficient generation capacity is available to meet demand. In Ontario, the wholesale price of electricity generation has declined since 2006, yet regulated rates for household consumers have almost doubled, creating confusion over the reasons why bills have increased. While a comprehensive analysis of electricity system costs and consumer bills is outside the scope, this report provides an economic cost analysis of the generation component of electricity bills, which can reconcile these seemingly contradictory trends. An important insight, which comes from the experiences

of jurisdictions that have deregulated their power generation sectors, is that wholesale generation markets are often distorted by the effects of administrative restrictions on market operations and by parallel long-term contracting policies, undermining the signals that market prices would otherwise provide for efficient generation production, investment, and consumption decisions. In such markets, wholesale market prices are shaped in part by strategic bidding behaviour of generators, and need not accurately reflect underlying average or marginal costs of generation. Consequently, a complete account of the cost of generation, and its pricing, requires a broad analysis that incorporates a range of generation sector policies.

WHOLESALE ELECTRICITY MARKETS AND INVESTMENT IN GENERATION CAPACITY

In competitive markets with many buyers and sellers, homogenous products and firms, and unrestricted exit and entry, market prices send crucial signals to firms and consumers, and help balance demand with supply. Importantly, these conditions create a close relationship between prices and costs since competitive pressures push prices to the marginal cost of production. External shocks to demand or supply that shift prices will cause firms to enter or exit the market, moving prices to long-run average cost levels over time. For example, an increase in demand that increases prices will encourage new firms to enter the market, subsequently exerting downward pressure on prices. In the long-run, market prices enable firms to recover both fixed and variable costs, and to earn a normal rate of return on capital invested. Hence, in competitive markets, prices are an indicator of the long-run cost of producing goods and services.

Wholesale electricity generation markets, however, generally do not conform to the ideal of an unfettered competitive market (Borenstein, 2016). The distinctive characteristics of electricity markets are many and well known. Electricity is not storable in large quantities so production must match extant demand. Renewable power sources are intermittent, necessitating complementary investment in dispatchable generation capacity that may have low utilization rates. Transmission and distribution are subject to congestion, creating conditions for oligopoly or even monopoly pricing. Demand is highly price-inelastic in the short-term for many consumers, implying consumers are willing to pay high prices for electricity. Variable costs of production are small relative to high fixed costs, especially for renewable power sources, meaning variable costs can be significantly lower than average costs. Renewable power, which governments have encouraged for environmental reasons, often has higher average unit costs than fossil fuels, often requiring additional policy instruments to support private investment. Entry by new generators is highly regulated, and it can take many years for permitting and construction to be completed, leading to extended periods of under- or over-supply of capacity. Under such conditions, wholesale electricity market prices can diverge from average costs for long durations, creating an uncertain investment environment for generators. Two risks are particularly germane:

First, small shocks to demand or supply can lead to rapid escalation in wholesale market prices given short-run price-inelasticity of demand and supply. For instance, in Ontario during September 2002, even though the average price over the month was $83/MWh, it peaked at $1028/MWh, more than twelve times the average. Price spikes reflect scarcity and are a feature, not a flaw, of a well-functioning market. However, dramatic price spikes often create consumer pressure on governments to intervene and reduce volatility by implementing caps. In Alberta, the government capped wholesale market prices at $1000/MWh (Brown and Olmstead, forthcoming). Ontario's maximum wholesale market price is set at $2000/MWh.

One consequence of such intervention is that it can create a "missing money problem" for generators. As one electricity market expert noted, "The missing money problem arises when occasional market price increases are limited by administrative actions such as price caps. By preventing prices from reaching high levels during times of relative scarcity, these administrative actions reduce the payments that could be applied towards the fixed operating costs of existing generation plants and the investment costs of new plants" (Hogan, 2005, pg.1). By limiting the opportunities for generators to recover fixed costs, price caps can act as a disincentive for generators to invest in new capacity.

A second risk for generators is that if markets develop excess generation capacity, wholesale prices will be pushed down towards variable costs, preventing generators from recovering fixed investment costs, which can be large given the capital-intensive nature of electricity production (Borenstein, 2002). Anticipating that future market conditions could change, generators may be unwilling to invest in new capacity—even if current levels are not fully sufficient to meet demand—when costs can only be recouped through wholesale market revenues. Such risks are magnified in institutional environments where government entities can rapidly implement sweeping regulation or policy changes, as in parliamentary systems with majority party control.

For these and other reasons, wholesale electricity market prices often do not send accurate signals to producers or consumers regarding efficient production and consumption behaviour, nor need they create the competitive incentives for generators to make sufficient long term investments in capacity for reliable supply within a jurisdiction, especially in generation technologies that have high average costs relative to variable costs (e.g. renewable fuels) or that have very long payback periods (e.g. nuclear power). This means that governments, even in deregulated markets, often rely on complementary policy mechanisms to enable generators to recover their fixed costs of electricity generation and to remain in the market. Long-run power purchase contracting, which effectively mimics average cost pricing, has been a common approach in many jurisdictions, as have been separate capacity markets (Biggar and Hesamzadeh, 2014). Invariably, however, additional policy instruments do not operate independently but have spillover effects on generator incentives, introducing further complexities and distortions in the operation of wholesale markets.

ONTARIO'S GENERATION SECTOR AND WHOLESALE MARKET

Background

Over the last half century, several structural shifts have fundamentally changed the nature and cost profile of Ontario's electricity generation sector. Major nuclear generating capacity was brought online during the 1960s to 1980s, transforming baseload generation in the province. Construction costs proved to be significantly greater than expected, however, leading to rate increases of more than 30% in the early 1990s, shortly followed by a rate-freeze imposed by a new (NDP) government in 1993 (Trebilcock and Hrab, 2005).[1]

The second structural change occurred in the late 1990s and early 2000s when the province, in concert with many other jurisdictions that were seeking greater electricity sector efficiencies, experimented with market deregulation and restructuring. In May 2002, the Progressive Conservative government launched a competitive wholesale

[1] The rate freeze remained in place until the Government launched the competitive retail market in 2002.

electricity market and a short-lived competitive retail market. Hot summer temperatures combined with a shortage of generation capacity triggered wholesale price spikes and rapid increases in consumer bills (Trebilcock and Hrab, 2005, pg. 126). Yielding to public pressure to reduce 'rate shock', the government quickly reversed course, closing the retail market in November 2002, implementing a rate freeze, and shelving plans for privatization and restructuring of state-owned generation assets. The government retained the wholesale market with the expectation that it would encourage private investment in new generation capacity.

The third structural shift began in the mid-2000s under a newly-elected Liberal government that sought to rebuild the supply portfolio to address a generation shortfall, and also to rebalance the supply mix, notably by reducing the share of coal generation while phasing in renewable sources such as wind and solar.[2] Since the private sector was reluctant to invest in merchant generation assets, the government created the Ontario Power Authority (OPA) in 2004 to enter into long-term power purchase contracts with generators, operating under the direction of the Minister of Energy. To expedite the government's policies and to avoid repeating the 2002 summer-time supply shortages, the government implemented a series of long-term contracting programs for specific types of generation technologies, including through competitive procurements, standard offer or feed-in tariff programs, and bilateral negotiations with private generators. Under each of these mechanisms the government guaranteed to buy power at a fixed unit rate over a specified time period, commonly 20 years.[3]

Since 2005, the OPA (now the IESO) has contracted for approximately 6,000 MW of wind capacity and more than 2,600 MW of solar capacity (IESO, 2016a). In total, the IESO has contracted for more than 27,000MW of energy. Ontario Power Generation (OPG) controls significant additional nuclear and hydroelectric capacity whose rates are regulated by the Ontario Energy Board.

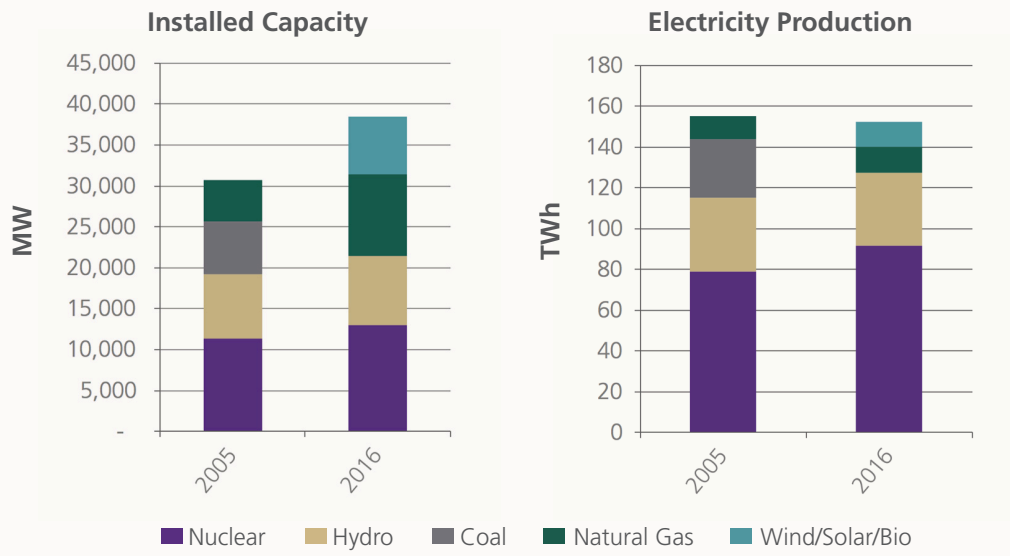
Figure 1 shows how the province's generation profile, including both contracted and regulated components, has changed over the eleven year period since 2005. Overall, the province expanded its installed generation capacity by a net 8,000 MW, increasing to a total of approximately 38,500 MW in 2016. Nuclear power has remained the single largest component, accounting for 11,400 MW in 2005 (37% of total capacity), increasing to 13,000 MW in 2016 (34%). Hydroelectricity was the second largest component in 2005 at 7,900 MW (26%), and has increased marginally to 8,500 MW in 2016 (22%). The most significant changes have been in renewable and natural gas generation. Wind, solar and bio-energy power sources added 7,100 MW over the eleven year period, and accounted for 18% of total installed capacity in Ontario in 2016. Natural gas installed capacity doubled between 2005 and 2016 (adding approximately 5,000 MW), increasing its share from 16% to 26%. Coal, which accounted for 21% of capacity in 2005, was eliminated from the supply mix by April 2014.

In terms of electricity production, overall power output in the province decreased marginally from 155 TWh in 2005 to 152 TWh in 2016. Nuclear accounted for the majority of output (92 TWh, 60% of overall output in 2016), and has increased both the absolute amount and its share of output since 2005. Hydroelectric power generation has remained steady at 36 TWh, and is the second largest component of overall output (23% in 2005 and 2016). Wind, solar and bio-energy accounted for approximately 8% of power output in 2016 (12 TWh). Natural gas output increased marginally between 2005 and 2016, despite the doubling of capacity, and accounted for about 8% of total output in 2016.

[2] Electricity Conservation and Supply Task Force, Final Report to the Minister, January 2004

[3] Contracts for natural gas generation were more complex and included clauses for fixed monthly payments.

Figure 1: Installed Capacity and Electricity Production by Fuel Type, 2005 and 2016



Source: IESO Supply Mix data and Ontario Power Authority 2005 Supply Mix Advice.

Investment in new generation capacity since 2005 has been supported in large part by long-term contracts with private generators that specify a fixed purchase price for energy produced (e.g. $135/MWh for wind power under the FIT program), though they are structured as 'contracts for differences', which provide two related components of revenue for the generators. The first component consists of the prevailing wholesale market price for power, referred to as the 'Hourly Ontario Energy Price' (HOEP). Since wholesale prices may be less than the contracted rate, the second component is the difference between the agreed contract rate and the wholesale price, and is included in the 'Global Adjustment' generation charge. The Global Adjustment consists of the costs of payments to contracted generators, as well as the costs of conservation expenditures, and payments to regulated generators. It exists because, in general, market-based revenues are insufficient to cover the full costs of contracted or regulated generation. The combination of the Global Adjustment and the Hourly Ontario Energy Price effectively represents average cost pricing, enabling generators to recover their variable and fixed costs.

Wholesale Electricity Market

Ontario's wholesale electricity market operates as a mechanism for dispatching generation units in order to ensure a reliable and continuous supply of electricity. The wholesale market price—the HOEP—is determined by offers submitted in advance by generators that specify the amount of power they are willing to provide and the offer price. The HOEP is the hourly average of twelve five-minute market-clearing prices that balance supply and demand. The five-minute market-clearing price, and ultimately the HOEP, is based on the offer of the marginal generating unit, and all dispatched generators, regardless of their offer, receive market revenues at the market-clearing price. Generators that submit offers greater than the five-minute market-clearing price are not dispatched and do not receive wholesale market revenues.

Since 2005 there has been a declining trend in the hourly energy price on the wholesale market, as illustrated by

Figure 2. Contributing factors include falling natural gas prices, lower demand for electricity within the economy, and expansion of generation capacity with low to zero marginal costs such as wind, solar and hydro. In the eight year period 2009 to 2016, the hourly energy price averaged $28/MWh, significantly below the average total cost of virtually any type of generation technology. Such wholesale prices are insufficient by themselves to incent investment in new dispatchable generation capacity, for instance natural gas, which is needed to complement the growth of intermittent renewable generation.

The decline in Ontario's wholesale market price does not necessarily imply that the average cost of generation has also declined, nor is the wholesale price necessarily an indicator of the average generation cost at any point in time. Two explanations are germane: first, in generation markets with excess capacity, such as in Ontario, wholesale prices are largely determined by variable or marginal production costs, not by average costs which additionally reflect fixed capital costs. A significant presence of renewable resources, which have low variable costs, further drives a wedge between wholesale prices and average costs.

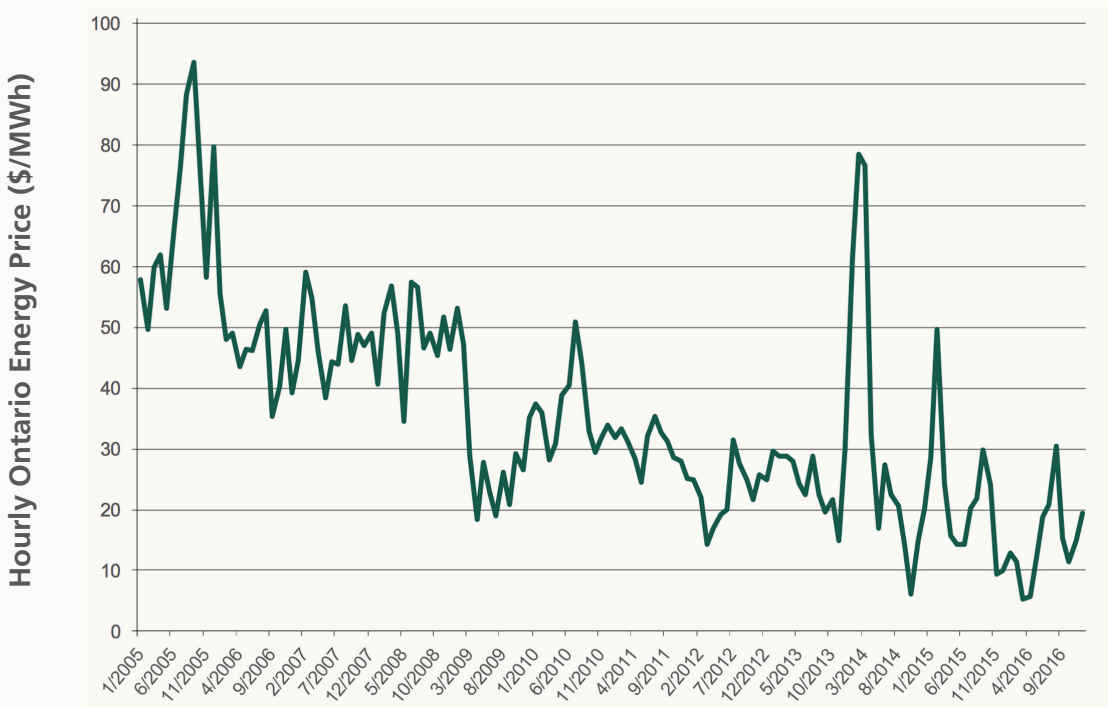
Second, strategic behaviour by generators can distort wholesale prices below even their marginal costs of production. For instance, before September 2013, renewable generators such as wind and solar were at times submitting offers to the market at prices equal to -$2000 per MWh. Notionally, an offer of -$2000 per MWh suggests that wind generators are willing to pay the operator $2000 per MWh dispatched, an unlikely proposition. In reality, wind generators knew that they were guaranteed to receive their contracted, fixed power purchase rate per MWh and wanted to ensure their power gained a favourable position in the merit order and was dispatched. Due to such strategic bidding behaviour by generators, between 2009 and 2014, the HOEP was negative for almost 2000 hours (equivalent to 83 days).[4] In response, in late 2013 the IESO established floor prices for transmission-connected wind and solar generation offers at -$10 per MWh for the first 90% of capacity (subsequently increased to -$3 per MWh) and -$15/MWh for the remaining 10% (Navigant, 2014b). Similarly, manoeuvrable nuclear generators have an offer floor of -$5 per MWh to limit strategic bidding. These examples illustrate that generators are not necessarily offering their production cost, but instead are adjusting their offers in accordance with the terms of their fixed price contracts.[5]

In this sense, generators' long-term purchase contracts can distort the wholesale market price since they reduce the incentives for generators to make offers in the wholesale market based on their cost of production. While the wholesale market price does not provide a perfect economic signal to producers and consumers, this does not imply that the wholesale market dispatch mechanism operates inefficiently over the short-term. Provided that the dispatch merit order is maintained, the five-minute market-clearing price still sends a reasonably accurate signal for short-term dispatch, and generally ensures that lower cost sources of electricity are dispatched before higher cost sources.

[4] Annual Report of the Office of the Auditor General of Ontario, 2015, page 216.

[5] In a slightly different context, Harvey (2013, pages 1-2) states that the hourly Ontario energy price "does not reflect the actual cost of meeting load … and therefore does not send an accurate signal for longer term decisions, such as the entry or exit of generation or of particular types of generation, for increases or decreases in power consumption, or for generators and dispatchable loads." Moreover, no entity in the province purchases electricity via the wholesale market (Alpin, 2017).

Figure 2: Hourly Ontario Energy Price



Source: IESO

THE COST OF GENERATION IN ONTARIO

The cost of contracted generation, which accounts for the majority of capacity in the province, is approximated by the sum of the wholesale market hourly spot price and the Global Adjustment amount, which acts as a full cost recovery mechanism (MacDougall, 2012).[6]

The formal description of the Global Adjustment is outlined in Ontario Regulation 429/04.[7] Officially, it is a payment variance that reconciles the difference between the earned revenues in the wholesale market and the rates established via contract. The relationship between the hourly Ontario energy price and the Global Adjustment may be characterized as a seesaw. When the hourly Ontario energy price goes up, the Global Adjustment goes down; and when the hourly Ontario energy price decreases, the Global Adjustment increases. This relationship is automatic and mechanical. Importantly, this seesaw relationship implies that neither the wholesale price nor the Global Adjustment by themselves provide an accurate 'market signal' to consumers or generators. Further, it is incorrect to interpret the Global Adjustment as an overpayment or 'above-market' payment for generation, as some commentators have claimed, since the wholesale price is not a true market price as would be observed in

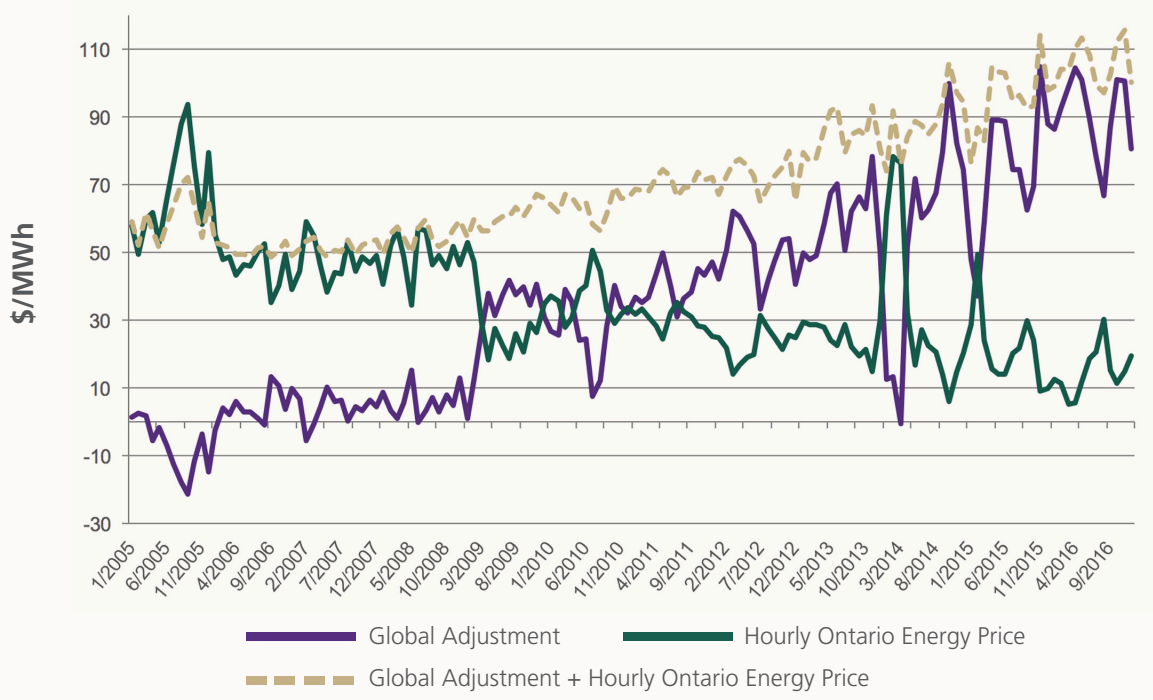
[6] Non-contracted generation includes Ontario Power Generation's nuclear and hydro electricity assets which have rates established through cost-of-service regulation.

[7] Section 1(1) of 429/04 precisely presents the calculation of the Global Adjustment.

normal competitive markets. The appropriate counterfactual for Ontario prices is less obvious than it might seem at first inspection and needs to be formulated as the inclusive price that covers both variable and fixed costs in the absence of policy intervention.

Figure 3 illustrates the hourly Ontario energy price and the unit Global Adjustment amount from 2005 to 2016. The hourly Ontario energy price is calculated as an hourly average of 5-minute dispatch prices, which are determined in the real-time market. The Global Adjustment is calculated monthly, and is based technically on the difference between the hourly Ontario energy price and (i) IESO's contracts with generators, (ii) contracted rates administered by the Ontario Electricity Financial Corporation, and (iii) OPG's regulated nuclear and hydro generation rates (IESO, 2016b). The seesaw or inverse relationship between the Global Adjustment and hourly wholesale energy price is immediately obvious in the Figure.[8] While the hourly price has steadily declined since 2005, albeit with natural monthly variation, the Global Adjustment has increased over the same period, mirroring monthly movements in the hourly price.

Figure 3: Hourly Ontario Energy Price and Global Adjustment, 2005–2016

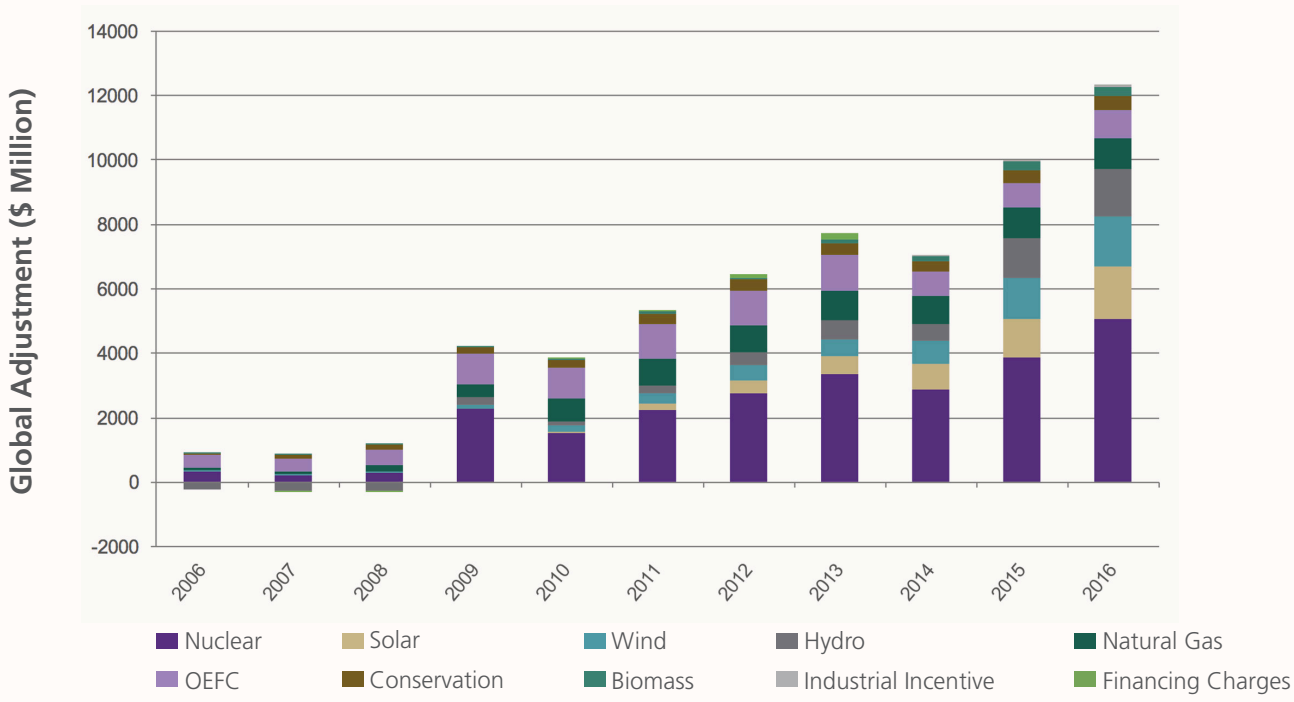


Source: IESO

[8] The relationship is not a perfect one-for-one because the Global Adjustment is a true payment variance and hence includes the costs of conservation programs and financing charges. Also because the Global Adjustment shows up in customers' biannual rate plans, the Global Adjustment, in conjunction with the hourly Ontario energy price, induces a small demand response.

Decomposing the Global Adjustment into its components provides some insight into the share of costs attributable to different generation fuels as shown in Figure 4. It does not provide an accurate picture of total generation costs by fuel type since it does not include costs recovered through wholesale market revenues, though these were a minor share in 2016. The overall Global Adjustment was $12.3 billion in 2016. Nuclear accounted for the single largest share of Global Adjustment costs at 41%. Solar and wind power each accounted for 13%, hydroelectric power for 12%, and natural gas for 8%. Other components summed to 13%.

Figure 4: Global Adjustment by Component, 2006–2016



Source: IESO

REASONS FOR GENERATION COST INCREASES

Rates paid for electricity in Ontario have increased despite a steadily decreasing wholesale market electricity price due to corresponding increases in the Global Adjustment as previously described. While a formal analysis of the sources of these rate increases is beyond the scope of this report, it is valuable to briefly review some of the underlying reasons for the increase in generation costs.

The average unit cost of generation (per MWh) is represented by the dashed line in Figure 3, the sum of the hourly wholesale price and Global Adjustment. From 2006 until 2009, the average cost was relatively stable, remaining between $50 and $60/MWh. Since 2009 there has been a continuous upward trend in the average cost of generation, reaching more than $110/MWh by late 2016. Several factors have contributed to this trend:

Phase out of low cost coal-fired generation. Between 2005 and 2014 Ontario gradually phased out all coal-fired plants, which provided 25% of power generation in the province at a relatively low unit cost (approximately $48/MWh). The coal fleet was reaching the end of its productive life, and new capital investment required to replace it would have increased system-wide costs of generation, and hence rates, regardless of the replacement type of generation fuel. For example, the refurbishment of Bruce Power nuclear units, which provide base load power, yields power at a contracted rate of $66/MWh. Offsetting higher costs, however, are health and environmental benefits from switching from coal to less emission-intensive fuel sources.

Increasing share of renewable fuels. The 2009 *Green Energy and Green Economy Act*, and initiatives such as the Renewable Energy Standard Offer program launched in 2006, have led to the development of a significant amount of wind, solar, hydroelectric, and bio-energy capacity, supported by fixed feed-in tariffs guaranteed for 20 years. Between 2005 and 2016, the province added approximately 7,100 MW of new wind, solar and bio-energy capacity, accounting for 18% of installed capacity in 2016. The rates paid for renewable power are greater than rates paid for nuclear and hydroelectric power which provide the bulk of electricity for the province, for instance ranging from $135/MWh for on-shore wind to $443/MWh for ground-mounted solar PV under the 2012 FIT pricing schedule. Power purchase prices for new solar capacity have since declined as technology costs have fallen steeply, but remain above levelized unit costs for natural gas and nuclear power. In addition to higher direct costs, the expansion of renewable generation capacity has required complementary investment in transmission and distribution sector upgrading, an indirect cost implication for the electricity system.

The Ontario Energy Board provides annual estimates of average generation costs by fuel type based on total payments to generators operating under all contract and regulation mechanisms. The OEB's 2016-17 estimates illustrate the higher average cost of wind, solar and bio-energy relative to nuclear and hydro (see Table 1). It is notable that the average cost of natural gas power is greater than wind and bio-energy power, despite low wholesale gas prices, which may be account for the low capacity utilization of natural gas generation assets.

Table 1: Average Costs of Generation per MWh by Fuel Type

Generation Fuel	Average Unit Cost ($/MWh)
Nuclear	66
Hydro	58
Natural Gas	173
Wind	140
Solar	480
Bio-Energy	131

Source: Ontario Energy Board Regulated Price Plan Report, November 2016 to October 2017. Hydro excludes NUGs and OPG non-prescribed generation. Gas includes Lennox, NUGs and OPG bio-energy facilities.

Overall growth in installed generation capacity. Expansion of the province's generation portfolio began in the early 2000s when the economy was growing robustly and when there were heightened concerns about supply outages, especially following the major regional blackout in Ontario and the north east U.S. in August 2003. In addition, given the shift towards renewable power generation, which is intermittent, the province needed to invest in complementary natural gas or other dispatchable capacity that could operate during periods when renewable power was not available. Ontario added 5,000 MW of natural gas capacity between 2005 and 2016, much of which provides peak and mid-peak power, to bolster system reliability and to satisfy regional needs. The overall amount of installed capacity in the province has increased significantly over the last decade. In 2016, installed capacity was approximately 38,500 MW – a 25% increase from 30,500 MW in 2005. While capacity has grown, however, overall annual domestic demand for grid power has declined, due to a combination of pricing

effects, weaker economic growth, enhanced conservation efforts, and expansion of distributed energy resources. According to IESO data, grid demand declined by 10% from 2006 to 2015, reflecting, in part, the impact of the 2008 Great Recession. Annual peak grid demand has also fallen sharply, from an all time high of 27,000 MW in August 2006 to 22,500 MW in 2015. While long-term forecasting of electricity demand is notoriously difficult, the province has invested in new generation capacity that has proved to be in excess of typical needs, contributing to higher system-wide costs and consumer bills.

SMOOTHING CONTRACTED GENERATION COSTS

The rapid pace of contracting for new generation capacity since 2005 has contributed to a corresponding escalation in consumers' electricity bills. Over the last decade, regulated electricity rates for residential consumers have almost doubled, creating a degree of 'rate shock' and leading to calls for generation market reform. While the government has taken some heat for rising bills, there is a potential policy solution that is economically rational and relatively simple to implement. The government could smooth the costs of contracted generation capacity—which account for more than half of electricity system costs—over a longer period of time than is currently planned, reducing consumer bills in the short to medium term in return for slightly higher bills in the long term. This is akin to household mortgage refinancing that lowers monthly payments by extending the term.

The economic rationale for such a smoothing policy is that the useful productive lives of contracted generation assets—payments for which constitute the bulk of Global Adjustment charges—are in many cases longer than the durations of the contracts. For instance, wind power RESOP, FIT and LRP contracts are structured for 20 years, even though wind turbines and equipment may be expected to operate for 30 years or longer, assuming periodic maintenance and refurbishment is undertaken. Similarly, natural gas generation contracts are generally for 20 year periods, though in the U.S. gas plants have often been retired after 40 years. Besides wind and natural gas, there may be additional generating assets that present opportunities to smooth costs for consumers. Under 20 year contracts, generator capital costs are amortized too quickly relative to the useful life, leading to higher annual capital charges than would be the case if the amortization period was extended to the full expected life span.[9] Charges to consumers for contracted generation could hence be reduced by stretching capital amortization periods to match the expected productive lives of the assets. In this way, the costs of generation charged on consumer bills would more closely reflect the true economic costs of the assets.[10]

There are three possible methods to accomplish generation cost smoothing in Ontario, recognizing that many new contracts with generators have already been signed over the preceding 12 years.

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[9] Generators have strong incentives to fully amortize fixed capital costs over the duration of the contract, and to build these costs into competitive supply bids, even if the contract duration is shorter than the expected lifespan of the asset. Once a generation facility is constructed it becomes a physically sunk asset, leaving the generator with considerably reduced bargaining power at the end of contract. Even if the government wishes the generator to continue operating after the end of the contract, it may offer to purchase power only at the variable or operating cost of production, providing minimal opportunity for the generator to recoup sunk fixed capital costs. As long as the purchase price at least covers variable costs, it is rational for the generator to accept the government's terms and to operate.

[10] The same smoothing principle could be applied to other generating assets where contract durations are less than expected asset lifespans. It is also applicable for expenditures on conservation projects, which can involve upfront investments in capital assets that reduce electricity demand over multiple years. For instance, high efficiency industrial refrigeration compressors are expected to operate for more than a decade. Currently, conservation expenditures are fully recouped in Global Adjustment charges in the year in which they occur. The Ministry of Energy estimates that smoothing conservation expenditures over asset lifespans could reduce electricity system costs in the short term by $300-$500 million.

1. Option for existing generators to bid for new long-term contracts

First, the government could offer generators with existing contracts the opportunity to bid for new contracts that would supersede their current contracts, stipulating that (a) the time horizon for a new contract must extend beyond the current one, and (b) the new purchase price for electricity for the duration of the new contract must be lower than the current contracted rate. If the generator and government reach agreement on new terms the new contract would replace the original one. Otherwise, the original contract would remain in force.

From the generator's perspective, this provides an opportunity to lengthen the time horizon of financial returns on their investment, and to increase the extant expected net present value of the project. It also pre-empts a potentially challenging renegotiation with the government at the end of the original contract when the assets still have productive capabilities but have been fully amortized. From the government's perspective, generation costs would be smoothed over a longer period of time as determined by individual generators on a case-by-case basis, lowering average electricity bills in the short to medium term.

There are several caveats with this approach. First, substantial rate reductions will be achieved only if there is sufficient competitive bidding pressure between generators for contract extensions. Since future demand for electricity in the province may well decrease, the government need not extend all generator contracts, which could create some implicit bidding competition – but the likely degree of competition and downward pressure on rates is uncertain ex ante. Second, the process of negotiating contract extensions could be administratively complex and time consuming for both the government and generators. The government has contracted with thousands of private entities since 2005. Generators would also likely need to renegotiate their own contractual arrangements with a range of parties in addition to the government, including landowners, financiers, local communities, and Aboriginal groups, a complex and uncertain exercise. A third caveat is that providing new long-term contracts to generators could impact the proposed introduction of a capacity market in Ontario if generators became less willing to participate in capacity auctions.

2. Short-term government subsidization of payments to generators

An alternative and potentially simpler approach for smoothing the amortization of generation costs is for the government to subsidize, in the short to medium term, a portion of annual contracted payments to generators operating under existing contractual terms, and to reduce consumer bills by the corresponding amount. The subsidy each year would equal the difference in annual amortization currently charged (based on the contract duration) and the annual amortization amount calculated using the productive life of the asset. Interest rates on government debt (which would fund the short-term subsidy) are currently very low (2.4% on Ontario's recent 10-year bond issue), making this a relatively cost-effective strategy, though it would increase public sector debt. Generator contracts would be unchanged in this scenario. An advantage of this approach is that it avoids the administrative cost and uncertainty of renegotiating in a short time period multiple contracts on an individual basis with generators, and it can be implemented relatively rapidly. On the other hand, the government would ultimately still need to negotiate new contracts with generators when existing ones expire in the future, in order to ensure that generation assets continue to operate, where needed, beyond 20 years.

In both approaches, the quid pro quo is that consumers would pay more for electricity in the future to reflect the longer amortization period, specifically during the years beyond the end of the original contract and up to the useful life of the generation assets. Generator refurbishment and maintenance costs may also increase for older assets, implying upward pressure on rates when generator lives are extended beyond anticipated contract end dates.

3. Long-term contracting policy

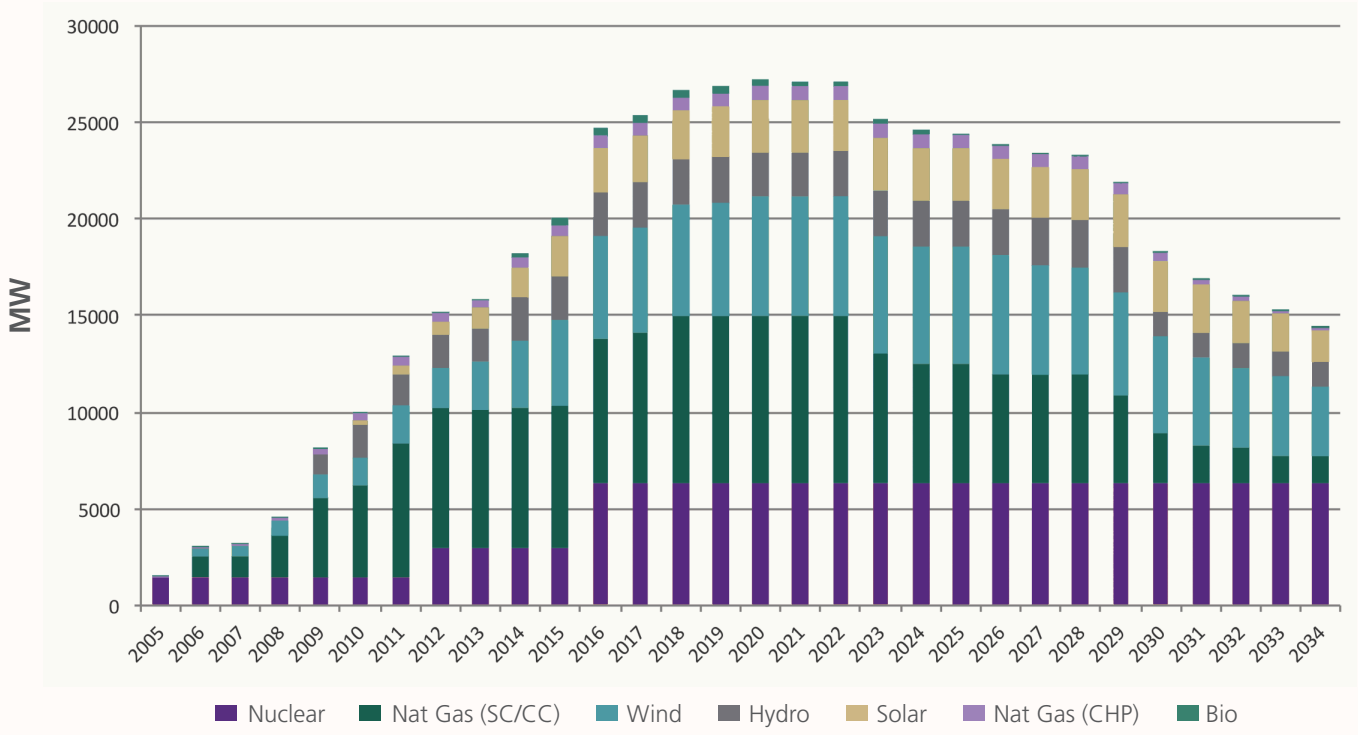
In future contracting exercises for new generation capacity, the government could invite generators to submit bids that include the proposed contract duration, and evaluate such bids on the basis of contract duration as well as on purchase price and other factors. Providing flexibility on duration would encourage generators to match the contract period to the expected productive life of the asset, resulting in (lower) annual amortization costs that reflect the true economic cost.

Preliminary Estimate of Impact of Smoothing Contracted Generation Costs

Estimating the potential impact on electricity bills from stretching out generation asset amortization periods requires detailed information on the terms of generator contracts, which are not publicly available. Assumptions based on available Ontario Energy Board (OEB) and IESO data, however, can lead to approximate calculations, albeit with circumscribed confidence in their accuracy.

Since 2004 the Ontario government has contracted for a significant amount of new generation capacity through competitive procurement exercises, bilateral negotiations, and feed-in tariff programs. By 2006, approximately 3,000MW of newly contracted capacity was operating; by the end of 2016, almost 25,000MW of contracted nuclear, natural gas, hydro, wind, solar, and bio-energy capacity was in place, representing a dramatic increase in procurement over a 10-year period. New procurement is expected to slow down in the coming years, reaching a peak of 27,000 MW accumulated contract capacity in 2020.

Figure 5: Contracted Generation Capacity by Fuel Type, 2005–2034

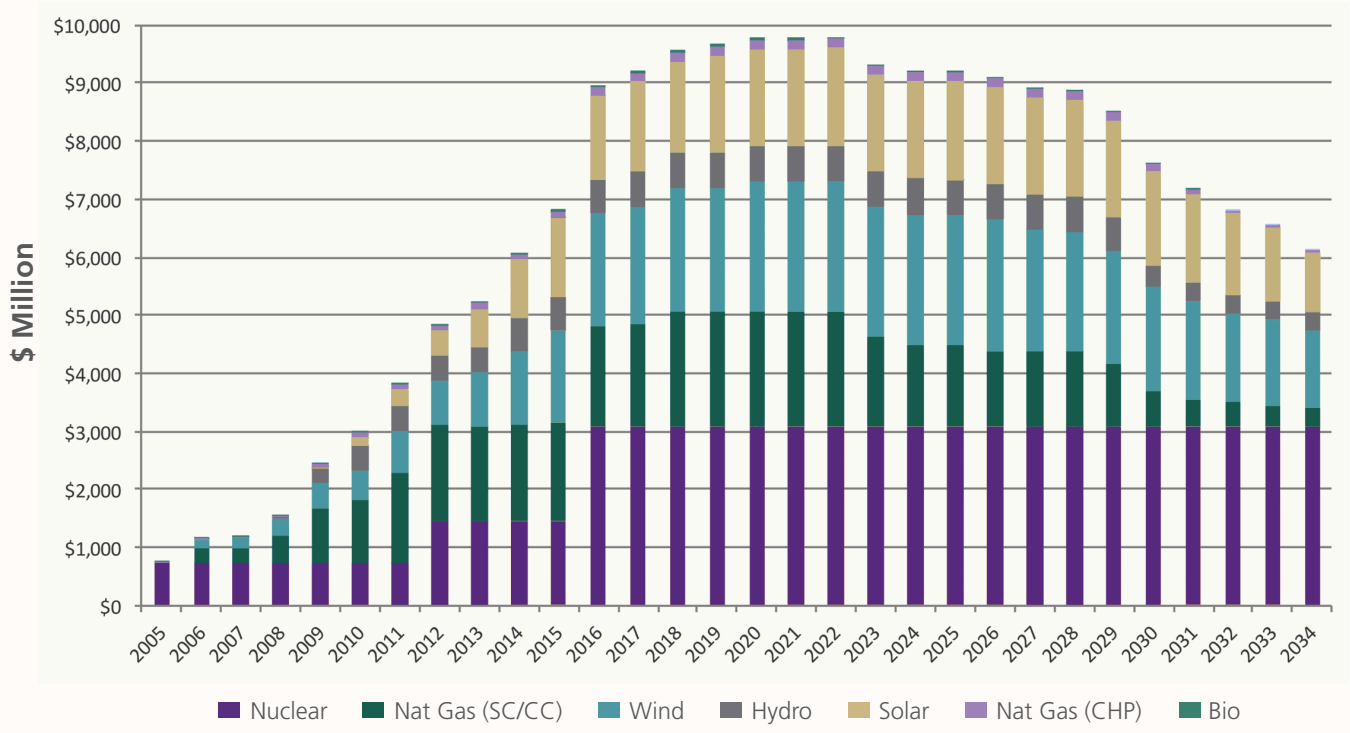


Source: IESO Progress Report on Contracted Electricity Supply, Third Quarter 2016. 'Other' fuel category omitted for simplicity.

Figure 5 shows the amount of accumulated contracted capacity for each fuel type for the 30-year period from 2005 to 2034. There has been a significant increase in contracted natural gas generation (representing 33% of total contracted capacity in 2017), as well as in nuclear (25%) and wind (22%). Solar, hydro, bio-energy and other fuels account for the remaining 20% of the 2017 total. OEB data on the average unit cost of electricity by fuel type, and IESO data on capacity utilization, leads to approximate estimates of the annual cost of contracted generation capacity.[11] In 2016, payments to contracted generators are estimated to have totalled approximately $9 billion. The estimated costs of contracted generation by fuel type are shown in Figure 6.

An important feature of Figures 5 and 6 is that they chart the contractual duration of capacity, not the useful productive lifespan of the generating assets. According to the IESO, contract terms vary from 5 to 21 years for bio-energy to 31 to 57 years for nuclear units. For natural gas and wind generation, as well as solar, contract periods appear to be somewhat shorter than typical estimates of expected lifespans (see Table 2), though lifespan estimates depend on a multitude of factors such as the specific technology type within a broad category, capacity utilization, and climate conditions. Some caution must thus be used in applying average industry lifespans to the specific case of generators in Ontario.

Figure 6: Estimated Cost of Contracted Generation, 2005–2034



Source: Author estimates. 'Other' fuel category omitted.

[11] Average effective power purchase rates per MWh for each fuel type are assumed to be as calculated in the OEB's Regulated Price Plan Report, November 2016. Rates range from $58/MWh for hydroelectric generation to $480 for solar. The same rates are applied each year in the analysis, though it is expected there will be variation in practice due to the changing mix of generation contracts with different purchase terms. Capacity utilization is estimated based on IESO reported installed capacity availability and actual power production for each fuel type in 2016 (http://www.ieso.ca/Pages/Power-Data/Supply.aspx)

Table 2: Durations of Generator Contracts and Expected Asset Lifespans[12]

	IESO contract duration (range)	IESO contract duration (mid point)	IEA lifespan estimate[13]	EIA lifespan estimate[14]
Natural Gas	10–20 years	15 years	30 years	30 years
Wind	20	20	25	30
Nuclear	31–57	44	60	
Hydro	20–50	35	80	
Solar	20	20	25	30

Source: IESO Progress Report on Contracted Electricity Supply, Third Quarter 2016.

Nonetheless, estimates of the impact of smoothing generation costs on consumer bills can be calculated under hypothetical scenarios where generator lifespans are assumed to extend to 30 years for natural gas plants and wind farms, and 25 years for solar PV (existing contracts are assumed to all be for 20 years). We do not model contract extensions for nuclear power given the specific nature of CANDU technology, or for hydroelectricity, bio-energy or CHP which are a relatively small share of total contracted capacity costs.

By the end of 2017, contracts for natural gas generation will be an estimated 8 years old on average, implying that 40% of original capital costs will have been amortized. Amortizing the remaining 60% of capital costs over the next 22 years instead of the originally-planned next 12 years suggests a reduction of up to 45% in annual natural gas generator capital charges may be possible in 2018. For wind power contracts, which will be on average 5 years old in 2017, the equivalent potential reduction in annual capital charges is up to 40% in 2018, and for solar 25%.[15]

In 2018, the total value of reductions in natural gas, wind and solar generation capital charges is estimated to be in the range of $1.5–$2.0 billion (see Figure 7), equivalent to approximately 8% of total expected electricity system costs. The amount of the annual reduction declines gradually over time in part due to interest costs on debt for the accumulated subsidy.[16] Additional asset refurbishment expenses in the latter part of the lifespan of generation assets would also reduce the amount of annual savings. After 2030, bills are forecast to be higher for several years than they would have been without smoothing.

[12] Retirement ages of generation plants also indicate lifespans. In the U.S., natural gas plants have often reached more than 40 years before retiring (Powell, N. America's Ageing Generation Fleet. Power magazine, 28 January 2013).

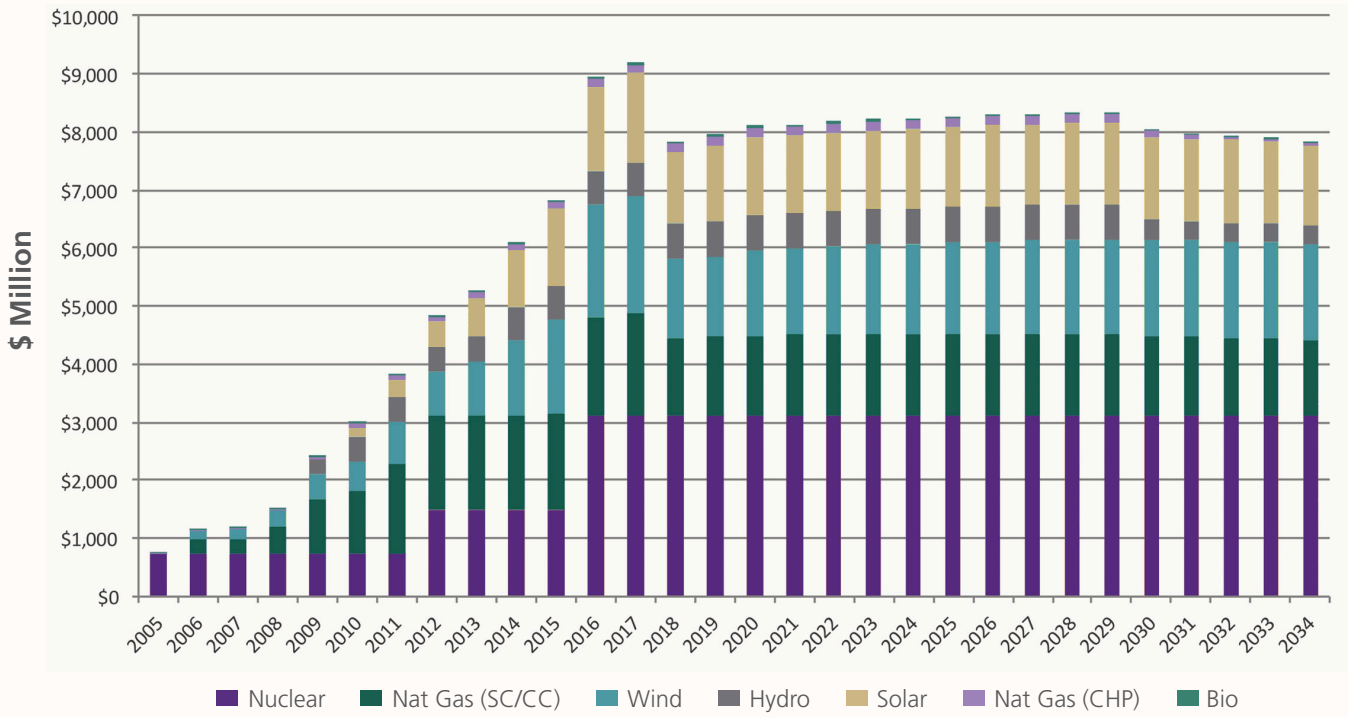
[13] International Energy Agency. 2015. Projected Costs of Generating Electricity.

[14] Energy Information Administration. 2016. Levelized Cost and Levelized Avoided Cost of New Generation Resources in the Annual Energy Outlook 2016. August 2016.

[15] Smoothing is applied only to the assumed capital component of unit generation costs. For wind and solar power which have zero fuel costs, and relatively low variable operation and maintenance costs, it is assumed that 90% of the power purchase rate is accounted for by capital costs. For natural gas capacity, which is assumed to have an average capacity utilization rate of 15% based on IESO data, and an average effective power purchase rate of $173/MWh (based on OEB estimates), the capital cost share is assumed to be 70%. Lower capital cost percentages would reduce the impact on current consumer bills of a smoothing policy.

[16] The interest rate on long-term debt is assumed to be 2.4%, which is the most recent rate on 10-year Ontario government bonds. Annual interest charges on the accumulated debt are assumed to be paid in full in each year by ratepayers through inclusion in electricity bills.

Figure 7: Estimated Smoothed Cost of Contracted Generation, 2018-2034



Source: Author estimates. 'Other' fuel category omitted.

These estimates are preliminary and reflect the specific assumptions of the model. Alternative assumptions would naturally lead to larger or smaller reductions in near-term contracted generation costs. They are also calculated for option (2) above in which the government finances the smoothing of contracted generator payments over an extended period, leaving original contracts unchanged. The alternative approach outlined in option (1), where generators bid competitively for new long term contracts that supersede existing ones, may deliver similar savings if all contracted generators participated and agreed to equivalent reductions in power purchase rates.

While smoothing generation costs can ease the transition for current households and firms to a higher cost electricity system, there are risks and limitations associated with such a policy. One risk is that future changes in markets, technologies, government policy, or demand for electricity may reduce the need for longer-lived generation capacity, potentially creating future stranded costs. In addition, an important consequence of smoothing is that it raises questions about inter-generational equity since consumers in the long-term future will contribute towards a larger share of generation capital costs, and consumers will also pay interest costs associated with short-term subsidization of rates. Some commentators have advocated for the status quo, citing the imposition of interest costs on future consumers as inequitable. However, the corollary to this argument is that the current approach of amortizing generation capital costs too quickly relative to expected lifespans is effectively a subsidy by current ratepayers of future consumers, who would have usage of the assets but not have to contribute to their capital costs. In addition, as economic growth continues, future generations will be wealthier than today, making any given level of electricity costs more affordable.

CONCLUSION

Wholesale electricity markets in many jurisdictions exhibit a variety of imperfections that affect investment, production, and consumption decisions. Wholesale market prices for electricity, including in Ontario, often do not provide an accurate representation of the full economic cost of production, which consists of short-run variable costs (e.g. fuel costs) and long-run fixed capital costs. Wholesale prices are often determined instead by short-run variable costs, especially in environments where there is excess generation capacity, implying that additional mechanisms—such as long-term power purchase contracts—are needed to enable generators to recover their full costs.

Since 2006, the hourly market price for electricity in Ontario has steadily fallen, owing to a decrease in demand and the addition of new capacity resources with low short-run variable costs. At the same time, the underlying cost of generation has increased as the province has made investments in new and refurbished capacity to ensure system reliability and to replace coal, and also added wind and solar supply—which are more costly than nuclear, hydro-electric, and coal generated power—in order to achieve environmental goals. The full cost of generation is reflected in the sum of the hourly wholesale market price (HOEP) and Global Adjustment, which enables generators to recover both short-run variable and long-run fixed costs of electricity production. The Global Adjustment is thus an important component of ensuring a well-functioning generation sector.

Despite the rapid escalation in generation costs that Ontario has experienced since 2005, there is an economic rationale for smoothing rates and reducing electricity bills for consumers in the short-run. Amortizing contracted generation capital costs over longer periods to match with the productive lifespans of the assets, which are often longer than the contracted terms, could reduce current electricity system costs by approximately eight percent, a preliminary estimate. Under this approach, the cost of generation charged on consumer bills would more closely reflect the true economic cost of the assets. A policy of smoothing generation costs through government subsidies in the short-term would incur interest charges and would lead to higher bills in the long-term, raising the challenging issue of inter-generational equity.

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ABOUT THE IVEY ENERGY POLICY AND MANGEMENT CENTRE

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From:	Gadi Mayman
To:	Ken Kandeepan; Mike Manning; Ronald Kwan
Cc:	Anna Strathy; Gavin He
Subject:	Fw: Rate Mitigation Implementation Meeting - April 20, 2017
Date:	Wednesday, April 19, 2017 5:17:39 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_April 20.docx Consolidated - OFHP Matrix - Week of April 18_clean (3).docx

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From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Wednesday, April 19, 2017 5:10 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 20, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 20, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)
    - ICI (ESPD)

3) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 18, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation / Regulations • Ministry to look into retaining Navigant for report on long lived assets and associated assessment of value, Ministry to work with OPG to ensure alignment with OPG internal report for its Board • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; o OPG working with the Ministries of Energy and Finance on equity injection mechanics, approvals and valuation approach; and o Ministry of Finance and Energy are working with TD on a non-disclosure agreement <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market	• AG briefing on April 19, 2017 (TBD) • April 28, pens down on Legislation • KPMG and E&Y opinions to be provided by May 1 • OPG Board to meet on May 1 for approval (Note: Sub-Committee meetings will occur in advance) • Approval dates: o TB on May 9 2017; and o LRC/Cabinet on May 10, 2017 • Legislation introduced May 11, 2017: o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder letter in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member • OPG provided draft letter to OPG Board sub-committee on April 7, 2017 and provided to Ministry for comment. April 13, 2017, Minister of Energy sent letter to the OPG Chair • OPG to develop note on rationale for 51/49 capital structure of the Trust • OPG to confirm proposed tax status of the Special Purpose Vehicle (SPV) • OPG / OFA to comment / report on overall structure and financibility for TB report back **IESO:** • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to discuss LDC issues with OEB **OEB:** • OEB working to finalize RPP rates and release by April 20 **Legislative Drafting:** • LSB / Blakes / OPG / IESO / OEB / Key Ministries will continue to work through legislative drafting issues including asking dealers about whether a rate class can be named as the backstop in legislation instead of individual ratepayers • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature. • LSB to circulate legislation for review and comment over the weekend	

Item	Key Deliverables / Considerations	Timing / Next Steps
	• ENERGY / Blakes / IESO / OEB / OPG / Key Ministries to meet on Monday to work through issues related to legislation • Blakes / LSB to work with MAG on any constitutional law issues <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each • Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 9, 2017 (TBD) • Implementation of expanded program and reduction in RRRP charge is targeted for July 1 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • Legislation to include provision to allow for sharing of data between MCSS and OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • OEB decision this week on removing OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes <u>Considerations</u> • Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise. • Positive progress with OEB on implementation: o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts; o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100 million) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 9, 2017 (TBD) • Enhanced benefits and removal of OESP charge will take effect in May 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • On-reserve eligibility considerations require discussion with Chiefs of Ontario • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Ministry to meet with COO on April 26 regarding FN Rate implementation • Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Introduction of FNDC program targeting July 1 2017
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare.	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees • Second meeting of the Advisory Committee is

Item	Key Deliverables / Considerations	Timing / Next Steps
	• April 7, 2017: Hydro One letter to Advisory Committee members to schedule next meeting and ask members to start thinking of qualified Trustees <u>Considerations</u> • Legislative changes not required.	scheduled for April 18, 2017 **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	<u>Recent Action Items</u> • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) <u>Considerations</u> • Ongoing outreach with LDCs being undertaken by IESO.	• Report back to TB/MBC on May 9, 2017 • Effective April 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	Considerations • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • March 31, 2017: Ministry submitted responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP Recent Action Items • Provide AG technical briefing presentation used in media lock-up	• Preliminary discussion on April 19, 2017 (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
	on OFHP in advance of the technical briefing	
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall) • Ministry to develop deck on bill presentment with high level slides on legislation	• Initial discussion on March 31, 2017

From:	Gadi Mayman
To:	Ken Kandeepan; Ronald Kwan; Mike Manning
Cc:	Anna Strathy; Gavin He
Subject:	Fw: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Thursday, April 13, 2017 7:08:07 PM
Attachments:	Action Items - April 13.docx

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Thursday, April 13, 2017 6:35 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - April 13, 2017

Please find attached the action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-12-17 5:33 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

Action Items – April 13, 2017

1) GA Refinancing
    - LSB / Blakes / OPG to ask dealers about whether a rate class can be named as the backstop in legislation instead of individual ratepayers
    - LSB to circulate legislation for review and comment over the weekend
    - OPG Board to meet on May 1 for approval (Committee meetings to occur in advance)
    - TB / MBC to meet at 9am on May 1
    - OEB working to finalize RPP rates and release by April 20
    - OPG to develop note on why we can't revisit the financing structure (51/49)
    - KPMG, E&Y opinions to be provided by May 1
    - Constitutional Law opinion to be provided at a later date
    - 'Navigant Report' tracking for a later date; Ministry and OPG to work together to ensure alignment with internal OPG report for their Board
    - Ministry to work with OFA / TD to support report back to TB / MBC on overall structure and financibility

2) OPG Letter
    - Ministry to turn around comments on letter for end of day April 13

3) Other Items
    - RRRP / OESP / FN Rate
        - Ministry to meet with COO on April 26 re: FN Rate implementation
        - Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases
    - ICI
        - CME / OCC outreach continues

4) Other: Ministry to develop deck on bill presentment with high level slides on legislation

From: Ronald Kwan
To: John Kim; Emily Kerr
Cc: Gavin He
Subject: Fw: Rate Mitigation Implementation Meeting - April 13, 2017
Date: Thursday, April 13, 2017 6:15:35 PM
Attachments: Consolidated - OFHP Matrix - Week of April 10.docx
Agenda_Weekly Rate Mitig Implmentation Group_Mar 13.docx
Letter from Province to OPG.DOCX

Hi John, Emily,

FYI and please review.

Emily, note the point on the GA Refinancing and tying to individual customers.:

Ratepayers: final responsibility for repayment and there needs to be a direct link (normal course will be through IESO and LDCs but OPG SPV will need look through capabilities if necessary)
Cannot depend on intermediaries because that would result in degradation of credit ratings (would intermingle with ratings of intermediaries)
OEB has concerns around this tie to individual customers as it breaks from current practice
However it is required to meet credit requirements and in order to ensure IESO / LDCs do not take on incremental risk

Ron

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: April 13, 2017 5:27 PM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Hi Dave,

Please see the following summary of today's OFHP discussion (Gadi note that there are a few references to OFA – that's what happens when you leave the room early):

GA Refinancing:
Past week has involved several "all day, all hands" meetings to come to ground on legislative instructions
Included IESO, OPG, OEB, ENE, TB, MoF, Torys, Oslers, Blakes, Stikeman, Goldman, RBC, CIBC, TD
Now moving into drafting of legislation itself and anticipate several turns over the weekend
This week's theme: who does what
OPG SPV: remains consistent, setting out and executing on a financing plan to purchase the regulatory asset from IESO

IESO: establishes the asset, sells it and acts as collection agent (not principle)
LDCs: also as collectors, but not at the table so have no voice, cannot impose incremental risk / burden on them, leverage existing structures
Ratepayers: final responsibility for repayment and there needs to be a direct link (normal course will be through IESO and LDCs but OPG SPV will need look through capabilities if necessary)
Cannot depend on intermediaries because that would result in degradation of credit ratings (would intermingle with ratings of intermediaries)
OEB has concerns around this tie to individual customers as it breaks from current practice
However it is required to meet credit requirements and in order to ensure IESO / LDCs do not take on incremental risk
Provincial guarantees:
Focused on a springing guarantee (not a blanket guarantee) in the event of government action and/or unconstitutionality
Dealers will need them
Planning to park this for now as it is not viewed as a requirement ion legislation
Based on Gadi's feedback and the importance of this element, the team will attempt to clarify this point prior to introduction of legislation (consider whether anything is needed in legislation)
Rationale for AAA rating
Need to access broadest possible set of markets for these securities including securitization market which requires AAA
Also first of a kind transaction in Canada, and very large scale so need to aim for strongest possible rating
Constitutional Law
Legislation is being drafted with the fairness concept at its core (tie to underlying generation assets in concept)
Making this defensible, but will need to tie back to cost curve of underlying contracts
- Work is underway to develop this linkage

Approvals
9 am May 1 for TB approvals
External reports to be available at that meeting
E&Y: opinion 1-2 pages, plan to include in May 1 submission (based on facts and assumptions)
KPMG: opinion 4-5 pages approx., coordinate to also have for May 1 submission (based on facts and assumptions)
OPCD:
Would reference accounting opinions in the TB note
Still layers of detail on regulation and commercial agreements that will impact, therefore opinions likely to reference facts in legislation and assumptions around what will be in regulation / contracts
OFA / OPG / Dealers
Will be asked to prepare an assessment of financeability of the structure
OPG
Accounting
Several calls + meetings set up for next week to begin to socialize and bring up to speed OPCD, E&Y, KPMG
Attempt is to be ready for accounting opinions to be delivered on a common set of facts
OPG Letter (earlier draft attached)

Comments from Province to be turned today
Provides choice to OPG Board to decide to participate based on commercial opportunity

OPG Actions:
Need a note describing why 49% / 51% split is necessary (need for accounting opinion on day 1 and throughout the program)
Need to better understand why OPG / Torys is seeking tax exempt status for the OPG SPV (and what that means)

IESO

Ministry briefed Board earlier this week
Fair bit of work required on mechanics once legislation is in place
Will need to work with OFA on LoC, including enhancements to deal with adverse situations (if OPG does not purchase the asset)
Can affect credit ratings
Need to ensure we preserve IESO's ability and right to collect

OEB

Minister's letter has been delivered to OEB in support of OEB rates
Comfort letter forming the basis of discussions of the RPP panel
April 20th announcement for May 1 rates

Affordability Fund
Up and running
First meeting of the advisors has occurred and they are getting ready to select Trustees

Social Programs
Leveraging existing structures
LDC working group next meets on Wednesday
Most focus on bill presentment (Province will propose minimal changes at implementation, more fundamental changes in fall, this will reduce anxiety)

OESP

Reg to LRC on April 10th, approved, to be filed and posted
Working with MCSS for automatic enrollment (and with OEB);
Appear to have a path forward
Align with existing social assistance programs + OESP
FN Rate
Meeting with Chiefs of Ontario set up on April 26th
Focused on implementation to move forward as quickly as possible to align with July 1 roll out

RRRP

In discussions with OEB on mechanism
Continue to monitor rate filings including H Dx application filed last Friday and recently file InnPower application
Revise fiscal projections accordingly
Need a memo explaining why important to continue with OEB rate application process and not freeze all applications
OEB process allows for a fair and responsible mechanism to review rates (sometimes leads to decreases)

Need to maintain reliability
Increases may have an impact on fiscal plan
Critical Path
Once legislation introduced May 1, quickly move to regulations
Late June LRC for July 1 implementation

ICI
Working on promoting program, in partnership with industry partners
Need for engagement as there is limited capacity in these organizations

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From: Katona, Keley (ENERGY)
Sent: April 12, 2017 5:33 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

Implementation of Ontario's Fair Hydro Plan
Week of April 10, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation • Defining mitigation and recovery mechanism • Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg. 95/05) • Shareholder Resolution (work with OPG to determine form) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger • Third Party Technical Report (e.g., long lived assets, associated assessment of social, health and environmental benefits) <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to	• IESO Board meeting on April 12, 2017 – ESP to present on OFHP • AG briefing on April 19, 2017 (TBD) • Provide comfort letter to allow OEB to include in May 2017 RPP • April 21, 2017, "pens down" on Legislative drafting • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

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5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. • April 7, 2017: Briefing for Advisory Committee members <u>Considerations</u> • Legislative changes not required.	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

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6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

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8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

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11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information. March 31, 2017, information provided to the FAO
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• March 2017: Cabinet submissions provided to AG • April 19, 2017: Preliminary discussion on (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall)	• Initial discussion on March 31, 2017

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 13, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) OPG Letter

3) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

4) Update on Action Items / Policy Matrix

Notes:

DRAFT: April 11, 2017

[Letterhead of Minister of Energy]

April [●], 2017

Bernard Lord
Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto, Ontario
M5G 1X6

Dear Mr. Lord:

I am writing further to the Premier's news release of March 2, 2017, in which the Province announced the Fair Hydro Plan to lower electricity bills by 25 per cent on average for certain customers starting in the summer of 2017, as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Given OPG's expertise as a participant in the electricity market and its expertise in rate regulated accounting and investment stewardship over significant pension and nuclear funds, I am writing specifically to request OPG's involvement in the implementation of the Global Adjustment Refinancing component of the Fair Hydro Plan

As you will have read, the 25 percent reduction in residential electricity bills referred to in the March 2nd announcement includes the 8 per cent reduction resulting from the rebate of the provincial portion of the harmonized sales tax on electricity bills effective January 1, 2017. The Province has also committed that certain customer bills would not increase by more than the rate of inflation for the four years following the 25 per cent average reduction.

In addition, as you know, Ministry of Energy staff have been working on preparing the draft legislation and regulations to implement the Fair Hydro Plan, with input from the IESO, the OEB, OPG and their respective advisors.

The Province is requesting that OPG, working with the Ministry of Energy, the IESO, the OEB, and their respective advisors, consider and recommend a plan for financing mechanisms that could achieve the Province's objectives for the reduction in consumer bills and the limitation on bill increases outlined above and in the Fair Hydro Plan, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan.

In particular, the Province would like OPG's financing plan to consider, among other things, structures and methods that would permit viable refinancing of a portion of the Global

Adjustment to reduce electricity prices for certain of today's electricity ratepayers, with the costs of the refinancing to be recovered over a period of up to 30 years, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan. We would expect the financing plan to include:

i) potential structures for the financing, which may include, as appropriate, a special purpose vehicle created for the financing;

ii) potential financing mechanisms and instruments, including senior debt and subordinated debt; and

iii) identification of the capital markets and jurisdictions that can be accessed to finance the rate mitigation.

The Province recognizes the need to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing and will address the specific requirements identified by OPG and its financial advisors, including in the pending legislation and regulations that will govern the mechanics and requirements of the financing entity. We would also request that your plan identify any amendments to OPG's governing legislation and constating documents needed to facilitate the implementation of the financing plan in a commercial manner.

We would further expect that the financing plan would be implemented in an effective and cost-efficient manner by OPG.

I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Yours truly,

The Honourable Glenn Thibeault
Minister of Energy

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Anna Strathy; Gavin He
Subject:	Fw: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Thursday, April 13, 2017 5:34:41 PM
Attachments:	Consolidated - OFHP Matrix - Week of April 10.docx Agenda_Weekly Rate Mitig Implmentation Group_Mar 13.docx Letter from Province to OPG.DOCX

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, April 13, 2017 5:27 PM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Hi Dave,

Please see the following summary of today's OFHP discussion (Gadi note that there are a few references to OFA – that's what happens when you leave the room early):

GA Refinancing:

- Past week has involved several "all day, all hands" meetings to come to ground on legislative instructions
  - Included IESO, OPG, OEB, ENE, TB, MoF, Torys, Oslers, Blakes, Stikeman, Goldman, RBC, CIBC, TD
  - Now moving into drafting of legislation itself and anticipate several turns over the weekend
- This week's theme: who does what
  - OPG SPV: remains consistent, setting out and executing on a financing plan to purchase the regulatory asset from IESO
  - IESO: establishes the asset, sells it and acts as collection agent (not principle)
  - LDCs: also as collectors, but not at the table so have no voice, cannot impose incremental risk / burden on them, leverage existing structures
  - Ratepayers: final responsibility for repayment and there needs to be a direct link (normal course will be through IESO and LDCs but OPG SPV will need look through capabilities if necessary)
    - Cannot depend on intermediaries because that would result in degradation of credit ratings (would intermingle with ratings of intermediaries)
    - OEB has concerns around this tie to individual customers as it breaks from current practice
    - However it is required to meet credit requirements and in order to ensure IESO / LDCs do not take on incremental risk
- Provincial guarantees:
  - Focused on a springing guarantee (not a blanket guarantee) in the event of government action and/or unconstitutionality
  - Dealers will need them

    - Planning to park this for now as it is not viewed as a requirement ion legislation
    - Based on Gadi's feedback and the importance of this element, the team will attempt to clarify this point prior to introduction of legislation (consider whether anything is needed in legislation)
- Rationale for AAA rating
    - Need to access broadest possible set of markets for these securities including securitization market which requires AAA
    - Also first of a kind transaction in Canada, and very large scale so need to aim for strongest possible rating
- Constitutional Law
    - Legislation is being drafted with the fairness concept at its core (tie to underlying generation assets in concept)
    - Making this defensible, but will need to tie back to cost curve of underlying contracts
        - Work is underway to develop this linkage
- Approvals
    - 9 am May 1 for TB approvals
    - External reports to be available at that meeting
        - E&Y: opinion 1-2 pages, plan to include in May 1 submission (based on facts and assumptions)
        - KPMG: opinion 4-5 pages approx., coordinate to also have for May 1 submission (based on facts and assumptions)
    - OPCD:
        - Would reference accounting opinions in the TB note
        - Still layers of detail on regulation and commercial agreements that will impact, therefore opinions likely to reference facts in legislation and assumptions around what will be in regulation / contracts
    - OFA / OPG / Dealers
        - Will be asked to prepare an assessment of financeability of the structure
- OPG
    - Accounting
        - Several calls + meetings set up for next week to begin to socialize and bring up to speed OPCD, E&Y, KPMG
        - Attempt is to be ready for accounting opinions to be delivered on a common set of facts
    - OPG Letter (earlier draft attached)
        - Comments from Province to be turned today
        - Provides choice to OPG Board to decide to participate based on commercial opportunity
    - OPG Actions:
        - Need a note describing why 49% / 51% split is necessary (need for accounting opinion on day 1 and throughout the program)
        - Need to better understand why OPG / Torys is seeking tax exempt status for the OPG SPV (and what that means)
- IESO
    - Ministry briefed Board earlier this week

    - Fair bit of work required on mechanics once legislation is in place
    - Will need to work with OFA on LoC, including enhancements to deal with adverse situations (if OPG does not purchase the asset)
        - Can affect credit ratings
    - Need to ensure we preserve IESO's ability and right to collect
- OEB
    - Minister's letter has been delivered to OEB in support of OEB rates
    - Comfort letter forming the basis of discussions of the RPP panel
    - April 20th announcement for May 1 rates

Affordability Fund

- Up and running
- First meeting of the advisors has occurred and they are getting ready to select Trustees

Social Programs

- Leveraging existing structures
- LDC working group next meets on Wednesday
    - Most focus on bill presentment (Province will propose minimal changes at implementation, more fundamental changes in fall, this will reduce anxiety)
- OESP
    - Reg to LRC on April 10th, approved, to be filed and posted
    - Working with MCSS for automatic enrollment (and with OEB);
        - Appear to have a path forward
        - Align with existing social assistance programs + OESP
- FN Rate
    - Meeting with Chiefs of Ontario set up on April 26th
    - Focused on implementation to move forward as quickly as possible to align with July 1 roll out
- RRRP
    - In discussions with OEB on mechanism
    - Continue to monitor rate filings including H Dx application filed last Friday and recently file InnPower application
        - Revise fiscal projections accordingly
    - Need a memo explaining why important to continue with OEB rate application process and not freeze all applications
        - OEB process allows for a fair and responsible mechanism to review rates (sometimes leads to decreases)
        - Need to maintain reliability
        - Increases may have an impact on fiscal plan
- Critical Path
    - Once legislation introduced May 1, quickly move to regulations
    - Late June LRC for July 1 implementation

ICI

- Working on promoting program, in partnership with industry partners

- Need for engagement as there is limited capacity in these organizations

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From: Katona, Keley (ENERGY)
Sent: April 12, 2017 5:33 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

Implementation of Ontario's Fair Hydro Plan
Week of April 10, 2017

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• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. • April 7, 2017: Briefing for Advisory Committee members <u>Considerations</u> • Legislative changes not required.	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information. March 31, 2017, information provided to the FAO
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• March 2017: Cabinet submissions provided to AG • April 19, 2017: Preliminary discussion on (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall)	• Initial discussion on March 31, 2017

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 13, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) OPG Letter

3) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

4) Update on Action Items / Policy Matrix

Notes:

DRAFT: April 11, 2017

[Letterhead of Minister of Energy]

April [●], 2017

Bernard Lord
Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto, Ontario
M5G 1X6

Dear Mr. Lord:

I am writing further to the Premier's news release of March 2, 2017, in which the Province announced the Fair Hydro Plan to lower electricity bills by 25 per cent on average for certain customers starting in the summer of 2017, as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Given OPG's expertise as a participant in the electricity market and its expertise in rate regulated accounting and investment stewardship over significant pension and nuclear funds, I am writing specifically to request OPG's involvement in the implementation of the Global Adjustment Refinancing component of the Fair Hydro Plan

As you will have read, the 25 percent reduction in residential electricity bills referred to in the March 2nd announcement includes the 8 per cent reduction resulting from the rebate of the provincial portion of the harmonized sales tax on electricity bills effective January 1, 2017. The Province has also committed that certain customer bills would not increase by more than the rate of inflation for the four years following the 25 per cent average reduction.

In addition, as you know, Ministry of Energy staff have been working on preparing the draft legislation and regulations to implement the Fair Hydro Plan, with input from the IESO, the OEB, OPG and their respective advisors.

The Province is requesting that OPG, working with the Ministry of Energy, the IESO, the OEB, and their respective advisors, consider and recommend a plan for financing mechanisms that could achieve the Province's objectives for the reduction in consumer bills and the limitation on bill increases outlined above and in the Fair Hydro Plan, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan.

In particular, the Province would like OPG's financing plan to consider, among other things, structures and methods that would permit viable refinancing of a portion of the Global

Adjustment to reduce electricity prices for certain of today's electricity ratepayers, with the costs of the refinancing to be recovered over a period of up to 30 years, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan. We would expect the financing plan to include:

i) potential structures for the financing, which may include, as appropriate, a special purpose vehicle created for the financing;

ii) potential financing mechanisms and instruments, including senior debt and subordinated debt; and

iii) identification of the capital markets and jurisdictions that can be accessed to finance the rate mitigation.

The Province recognizes the need to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing and will address the specific requirements identified by OPG and its financial advisors, including in the pending legislation and regulations that will govern the mechanics and requirements of the financing entity. We would also request that your plan identify any amendments to OPG's governing legislation and constating documents needed to facilitate the implementation of the financing plan in a commercial manner.

We would further expect that the financing plan would be implemented in an effective and cost-efficient manner by OPG.

I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Yours truly,

The Honourable Glenn Thibeault
Minister of Energy

From:	Ronald Kwan
To:	John Kim; Emily Kerr
Cc:	Gavin He
Subject:	Fw: Rate Mitigation Implementation Meeting - April 6, 2017
Date:	Thursday, April 06, 2017 8:30:11 PM
Attachments:	Action Items - April 6.docx ATT00001.htm

From: Gadi Mayman
Sent: April 6, 2017 8:08 PM
To: Ronald Kwan; Mike Manning; Ken Kandeepan
Cc: Anna Strathy; Gavin He
Subject: Fwd: Rate Mitigation Implementation Meeting - April 6, 2017

Begin forwarded message:

> **From:** "Katona, Keley (ENERGY)" <Keley.Katona@ontario.ca>
> **Date:** April 6, 2017 at 6:24:56 PM EDT
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)" <jeffrey.lyash@opg.com>, "HARTWICK Ken -FINANCE (ken.hartwick@opg.com)" <ken.hartwick@opg.com>, Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>, "Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)" <maryanne.aldred@ontarioenergyboard.ca>, "Campbell, Bruce (bruce.campbell@ieso.ca)" <bruce.campbell@ieso.ca>, "Kim Marshall (Kim.Marshall@ieso.ca)" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "LEE John -TREASURY" <john.s.lee@opg.com>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt

(ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "jordan.penic@ieso.ca" <jordan.penic@ieso.ca>, "'sarah.branco@ontarioenergyboard.ca'" <sarah.branco@ontarioenergyboard.ca>, "Turnevicius, Lorraine" <lorraine.turnevicius@ieso.ca>, "catriona.king@opg.com" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>

Subject: RE: Rate Mitigation Implementation Meeting - April 6, 2017

Attached are the action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-05-17 5:10 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 6, 2017

Good evening,
Please find attached material for tomorrow's meeting.
Keley

Action Items – April 6, 2017

Global Adjustment Refinancing

- Legislation pens down April 21 for May 4 introduction
- OPG / IESO / Blakes to provide feedback on document that will provide instructions to Leg Counsel today
- MOs/PO meeting on Friday
- OPG providing shareholder resolution to OPG Board committee tomorrow and will be provided to Ministry following that
- OEB working with Ministry to finalize comfort letter

Affordability Fund

- Briefing of Advisory Committee scheduled for April 7

RRRP, OESP , FN Rate

- SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each
- SNAP working with MOF / CRA on waiving wet signature

ICI

- ESP / Comms continue to work with chamber of commerce / CME on outreach campaigns to business communities

Bill Presentment

- MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall)

Other Items

- AG meeting on April 19 will walk through a technical briefing deck (OFA / ENERGY / MOF / TBS to attend)

From: Gadi Mayman
To: Ronald Kwan; Ken Kandeepan; Mike Manning
Cc: Anna Strathy; Gavin He
Subject: Fw: Rate Mitigation Implementation Meeting - April 6, 2017
Date: Wednesday, April 05, 2017 5:22:26 PM
Attachments: Agenda_Weekly Rate Mitig Implmentation Group_Mar 6.docx
Consolidated - OFHP Matrix - Week of April 3.docx
FHP Policy Foundations 04 04 2017 v.3.docx

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Wednesday, April 5, 2017 5:09 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 6, 2017

Good evening,
Please find attached material for tomorrow's meeting.
Keley

Keley Katona | Director of Operations
Deputy Minister’s Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca<mailto:Keley.Katona@Ontario.ca>
4th Floor, Hearst Block, 900 Bay Street

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 6, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

3) Bill Presentment (SNAP)

4) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 3, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation • Defining mitigation and recovery mechanism; and • Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg. 95/05) • Shareholder Resolution (work with OPG to determine form) • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market	• IESO Board meeting on April 11, 2017 (TBD) – ESP to present on OFHP • AG briefing on April 19, 2017 (TBD) • Provide comfort level to allow OEB to include in May 2017 RPP • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes will continue to work through legislative drafting issues • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature. • Legislative walk-through and working group meetings Monday and Tuesday • ENERGY / Blakes / IESO / OEB / OPG to meet on Tuesday to work through issues related to legislation • LSB / Blakes to brief OPCD on legislation • KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions • Blakes / OPG to work through financing issues related to 10% cap • Blakes / LSB to work with MAG on a second constitutional law	

Item	Key Deliverables / Considerations	Timing / Next Steps
	opinion from Peter Hogg • TD being engaged through OFA to provide financial advice • ESP to make presentation on GA financing at upcoming IESO Board meeting <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd and March 24th • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 1, 2017 (TBD) • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP/LSB working on LRC package for OESP enhancements • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • Board decision this week on removing OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 1, 2017 (TBD) • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. <u>Considerations</u> • Legislative changes not required.	**April 7, 2017:** • Briefing for Advisory Committee members **April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

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6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) • ESP to consider implications of dropping below 500kw threshold due to investments in conservation <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • Ministry preparing responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion on April 19, 2017 (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment	• Initial discussion on March 31, 2017

Policy and Legal Foundations for the Proposed Ontario Fair Hydro Plan Act
April 4, 2017

Creating the Regulatory Framework

- Principles will link the benefit of the "Green Generation Initiative" with the regulatory cost that future rate payers will pay
- Need to name and articulate "Green Generation Initiative"

Fair Allocation Plan

- Policy direction around intergenerational funding will be established by the Minister of Energy
- The Fair Allocation Plan has been determined for the 1st four years, as set out in the March 2nd announcement
- Should there be a process around the Fair Allocation Plan [or as necessary]?
- [Role for the OEB?]

Treasury Plan

- Created by OPG to implement the Fair Allocation Plan
- Will pass through actual costs and expenses of funding obligations incurred
- 3 components:
    - Treasury Plan must be compliant with principles and parameters of the Fair Allocation Plan;
    - The Plan must match maturities to allocations under the Fair Allocation Plan, as well as achieve funding efficiencies and cost management articulated in the Fair Allocation Plan; and
    - Implementation
- Should [Minister?] [OEB?] review [and approve?] the Treasury Plan? At what point in process?

Establishment of the Regulatory Asset

- Right to recover from rate payers, through collection by LDCs and IESO, the regulatory charge, late fees, interest established by legislation
- IESO may dispose of (by assignment, transfer, sale, etc.) its right, title and interest in the Regulatory Asset
- Legislation will create property rights and allow for security interests in the Regulatory Asset
- [Role of the OEB in establishing the Regulatory Asset?]
- Role of OPG in acquiring the asset?

Ensuring Collectability

- Clearly defined class of rate payers that receive and pay for the benefit
- Charges are irrevocable
- LDCs have duty to invoice rate payers for the charge
- IESO and LDCs have duty to collect charges as agent and pay remittances to IESO
- IESO has duty to pay remittances to the Regulatory Asset Owner
- Non-by-passability – subject rate payers who opt to go off grid to a penalty (prepayment)?
- True up mechanism to reconcile collections with incurrences
- Province shall not take steps to reduce, alter, impair or terminate the Regulatory Asset or collection

OEB Role

- [Inspect books and records?]

DRAFT

- [Approve administrative costs?]
- [Prudence review of financing costs?]
- [Consequences of OEB review?]
    - Ability to review
    - Ability to review and make recommendations (non-binding)
    - Review and approve or refer back for reconsideration (binding)

Provincial Guarantee

- Scope / Triggers / Consequences / Form

DRAFT

From: Gadi Mayman
To: Ronald Kwan; Ken Kandeepan; Mike Manning
Cc: Anna Strathy; Gavin He
Subject: Fw: Rate Mitigation Implementation Meeting - April 25, 2017
Date: Tuesday, April 25, 2017 11:27:56 PM
Attachments: Action Items - April 25.docx

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Tuesday, April 25, 2017 4:30 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY); Martin Schlaepfer (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Please find attached action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-24-17 5:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Schlaepfer, Martin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

Action Items – April 25, 2017

1) Global Adjustment
    - LSB / Blakes turning around comments received over the weekend; new draft of the legislation will be circulated later today or early tomorrow
    - Comments on next draft of legislation will be due Wednesday to keep on track with Friday pens down on legislation
    - E&Y opinion on track
    - OPG undertaking modelling but initial borrowing amount will come from formula in legislation
    - Ministry working with Navigant on report (interim report expected in a couple of weeks followed by a final report)
    - CoS to discuss inflation provision with PO to confirm comfort with including it in regulation vs legislation
    - IESO working with KPMG on opinion (draft tracking for later this week)
    - IESO to discuss Board assurances with Ministry later this week
    - OEB continues to work through a few issues with LSB (e.g. role in review of admin costs, timing of revised RPP, why there needs to be an OEB objective)
    - MOF and ENERGY Ministers will be signatories to springing guarantee, performance guarantee and protection to boards

2) Other OFHP Items
    - RRRP, OESP, FN
        - New turn of social legislation expected today for comment by Wednesday to meet Friday pens down timeline
        - Ministry sorting through issue with Dubreuilville to ensure the legislation is permissive enough to allow them to be eligible
        - Ministry meeting with COO tomorrow on FN rate implementation
        - Ministry to meet with MCSS re: taking over OESP administration
    - Affordability Fund
        - Hydro One to prepare letters that will go out to social service agencies
    - ICI
        - Ministry continues to work with CME / OCC on targeted outreach

3) Other Items
    - IGS continues to work with MOF / TBS on equity injection to ensure we have appropriate approvals for appropriation room this fiscal year, needs to be included in Estimates so approvals required on Thursday
    - OFA working with TD on content to be included in TB submission on financial viability
    - MO to work with MOF / TBS MOs to request their Ministers for debate on May 15th and 16th

From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy; Gavin He
Subject: Fw: Rate Mitigation Implementation Meeting - August 10, 2017
Date: Thursday, August 10, 2017 7:04:49 PM
Attachments: Action Items_Aug 10_Final.docx

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, August 10, 2017 6:49 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS); Keley Katona (ENERGY)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett; Mike Smith (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: August 9, 2017 8:19 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Nakahara, Ken (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); 'David Barrett'
Subject: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – August 10, 2017

1) GA Refinancing
    - o General Update (OPG / IESO)
        - OPG will go to its Board with OFHP financing plan following direction from the August 16th meeting
    - o Draft Provincial Guarantees for Dealers (OFA/OPG)
        - OPG, TB/OPCD, MOF, OFA and ENEGY had a discussion on proposed approach on August 10th. Additional accounting review is required on proposed approach
        - Note: Initial focus on OPG finiancing will be focused on the Canadian market

2) August 16th Meeting (Provincial Guarantee (PG) Update)
    - OFA will develop proposal summary on the PG for the August 16th meeting
    - TB submission on the PG will track to TB/Cabinet on September 12th/13th. TBS indicated that it would also like the submission to provide a general status update on OFHP

3) AG Update
    - On July 25th, IESO had a special Board meeting on the OFHP that the AG attended

4) Other OFHP Initiatives
    - o RRRP, OESP and FN (SNAP)
    - o Affordability Fund (CRED)
        - Trustees have a call on August 11th

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy
Subject:	Fw: Rate Mitigation Implementation Meeting - August 10, 2017
Date:	Wednesday, August 09, 2017 8:20:22 PM
Attachments:	2017 Consolidated - OFHP Matrix - Week of August 8.docx 2017 Outstanding Business Issues - Week of Aug 8.docx Agenda_Weekly Rate Mitig Implmentation Group_Aug 10.docx

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From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, August 9, 2017 8:19 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Ken Nakahara (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of August 8, 2017

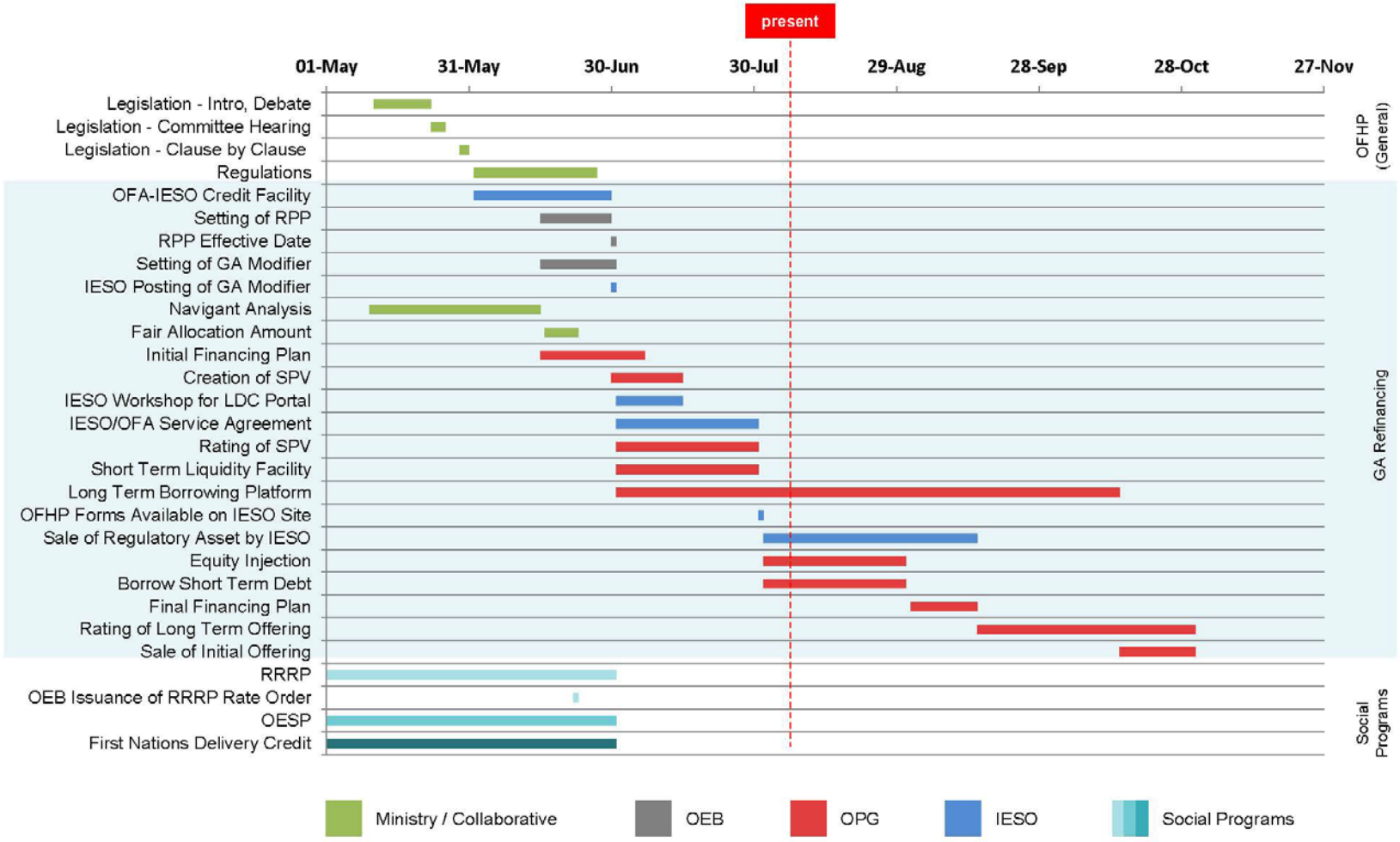
Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Guarantees (i.e., performance / payment, term sheet) – OPG to set meeting with OFA and IGS to discuss dealers' questions on guarantee – OPG targeting early August to settle on approach to guarantee and begin rating process (pending final approval at later date) o Management Fees Regulation o Interest Collection During the Inflationary Cap Period (OPG, IESO and Energy to work through approach) o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption – MOF/Tax Policy working on comfort letter re: PILs for OPG • OPG continuing work with rating agencies. OPG working to finalize this working by end of September • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • Summer – TB/Cabinet Approval and s.28 Approval Provincial Guarantees (TBD). Note: On August 16, OFA and Energy to bring forward proposed approach to Provincial Guarantee to CO/PO discussion • Summer / Fall – OPG Financing (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program	• Will hold a wrap-up working group teleconference in August.
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP • OEB and MCSS executed MOU (as per recent OEBA amendments) to share information that will support targeted outreach for social assistance clients potentially eligible but not enrolled in OESP • Targeted outreach and automatic SA client enrolment by MCSS to start late September; MCSS to continue developing software solution for automation over next several months • Significant progress on wet signature issue -- SNAP continues to work with, MOF, OEB and CRA on solution • SNAP to work with TBS to ensure funds flow from fiscal plan when OESP moves to the tax base	• Week of August 7 – follow-up with CRA on proposed wet signature solution
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	Recent Action Items • All LDCs have indicated they have implemented the program. • Ministry working on post card for FNDC	• Will hold a wrap-up working group teleconference in August.

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	Recent Action Items • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity • Hydro One, in its administrative capacity, is developing back office support and preparing recommendations for the first meeting of the Board of Trustees • Stakeholder engagement is underway; preliminary outreach with several LDCs conducted in July and a WebEx meeting to allow for broader outreach to utilities scheduled for August 1 • Trustees continue to work through program design concepts and details in order to launch the program as soon as possible • Trustees have agreed to Hydro One's role as administrator	**Summer 2017:** • LDCs begin to apply to the Trust for funds **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records • TBS advises that AG is tracking for an opinion on Public Accounts (PA) on August 18, which would result in an earliest release by the government of the PA on August 28 (Note: The statutory deadline in September 27) • IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG	• Summer – Responding to AG Request (Ongoing)

Item	Key Deliverables / Considerations	Timing / Next Steps
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) Considerations • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet **Timing:** TBD
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to review MSA and SLA • OPG / Energy to revise OPG Articles to enable new class of shares **Timing**: TBD
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and begin drafting regulation **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: TBD

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
August 10, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Draft Provincial Guarantees for Dealers (OFA/OPG)
    - Business Item (OPG/IGS)

2) August 16th Meeting
    - Provincial Guarantee Update

3) AG Update

4) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From:	Gadi Mayman
To:	Ronald Kwan; Mike Manning
Cc:	Gavin He; Matthew Breadner; Anna Strathy
Subject:	Fw: Rate Mitigation Implementation Meeting - August 31, 2017
Date:	Wednesday, August 30, 2017 8:42:04 PM
Attachments:	2017-07-11 Consolidated - OFHP Matrix - Week of August 28.docx Agenda_Weekly Rate Mitig Implmentation Group_Aug 28.docx Fees Rider 28 August 2017.docx 2017 Outstanding Business Issues - Week of Aug 21 - updates.docx

I don't know if anyone from the OFA was planning to attend, but, if so, here are the materials.

Gadi

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, August 30, 2017 8:20 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Ken Nakahara (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS); Michael Boll
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett; Keley Katona (ENERGY)
Subject: Rate Mitigation Implementation Meeting - August 31, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of August 28, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Supporting Agreement (i.e., performance / payment, term sheet) – OPG/TBS (OPCD), MOF, OFA and ENERGY met on August 10, 2017 to discuss proposed approach to Provincial Guarantee. Additional accounting review on proposed approach is required – OPG proposing to prepare an option for Government to pay outstanding obligation should OPG/Trust no longer be able meet financing obligations – IESO and OPG to continue discussions regarding the letter of credit to backstop smaller LDCs without ratings or using a reserve account – need to determine quantum – IGS/OFA to prepare summary deck for week of September 4, 2017 – Note: Initial focus of OPG financing will be on Canadian market o Management Fees Regulation o Interest Collection During the Inflationary Cap Period (OPG, IESO and Energy to work through approach) o Ministry/OPG to look into mechanism (regulatory line) to pay interest and expenses through GA after the 4 year moratorium o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • Week of September 11 – Minister's Fair Allocation Amount letter, following preliminary discussions with OPG • September 27 – TB/Cabinet Approval and s.28 Approval Supporting Agreement (TBD) • Late November 2017 – OPG Financing (TBD)

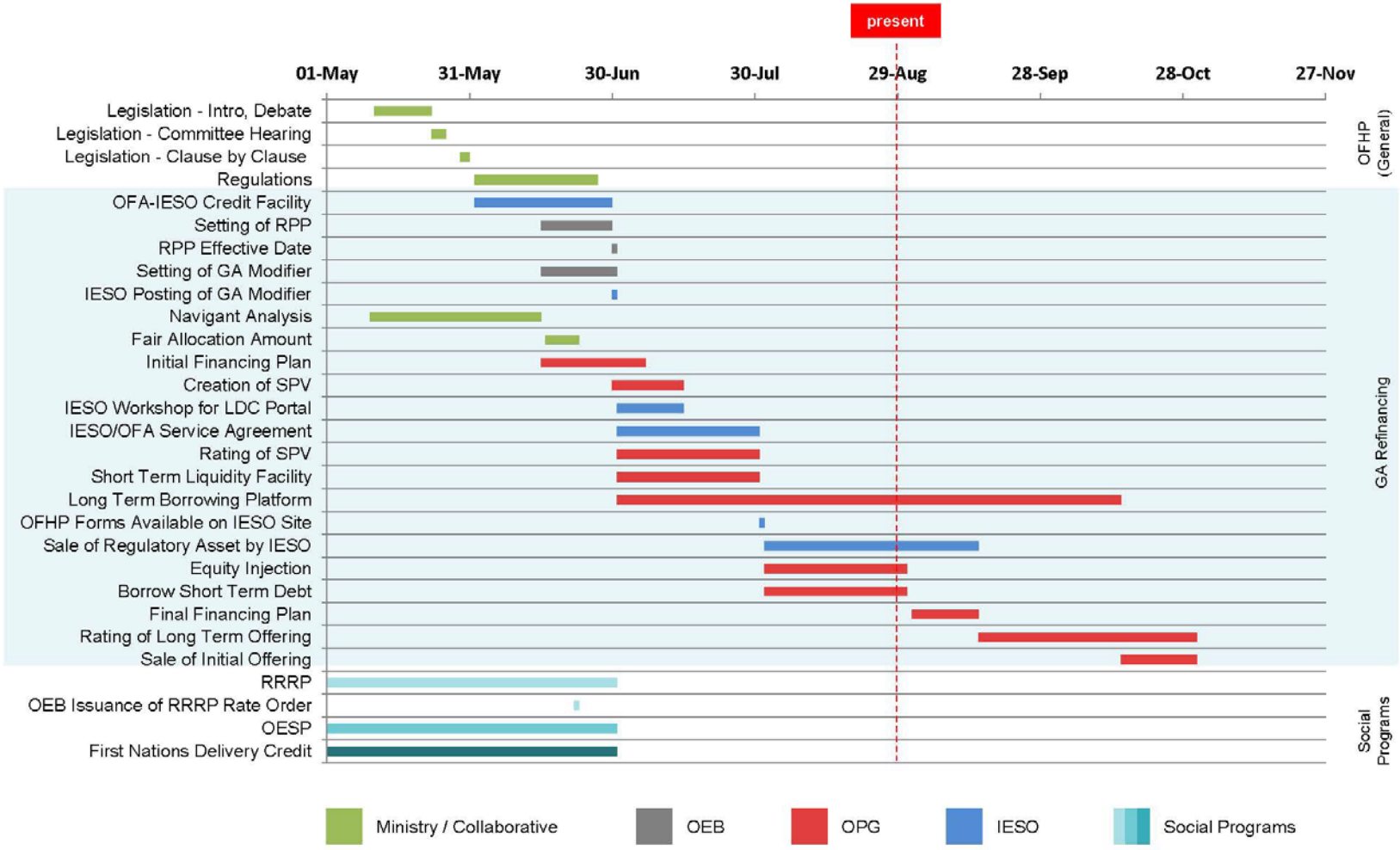
Item	Key Deliverables / Considerations	Timing / Next Steps
	– MOF/Tax Policy working on comfort letter re: PILs for OPG – IGS to provide best timing estimates for PILs, Equity Injection, Subordinated Debt Loan Agreement (between OPG and Trust) • OPG continuing work with rating agencies. OPG working to finalize this working by end of September • OPG to go to its Board with OFHP financing plan following direction from August 16, 2017 meeting • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program	• Will hold a wrap-up working group teleconference in August.
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP • OEB and MCSS executed MOU (as per recent OEBA amendments) to share information that will support targeted outreach for social assistance clients potentially eligible but not enrolled in OESP • Targeted outreach and automatic SA client enrolment by MCSS to start late September; MCSS to continue developing software solution for automation over next several months	• Week of August 7 – follow-up with CRA on proposed wet signature solution

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Significant progress on wet signature issue – SNAP continues to work with, MOF, OEB and CRA on solution • SNAP to work with TBS to ensure funds flow from fiscal plan when OESP moves to the tax base	
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • Ministry working on post card for FNDC	• Will hold a wrap-up working group teleconference in August.
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity • Hydro One, in its administrative capacity, is offering back office support and helping coordinate stakeholder engagement on program design for the Board of Trustees (have engaged Accenture to assist) • Stakeholder engagement is underway; preliminary outreach with several LDCs conducted in July and a WebEx and in-person meeting seeking feedback from LDCs on program design held August 1 (~70 participants) • Trustees continue to work through program design concepts and details in order to launch the program as soon as possible • Trustees have agreed to Hydro One's role as administrator	**September 2017:** Target for program launch **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Trustees call held August 11, 2017 (recap of LDC feedback and discussion on program design) • Trustees to brief Ministry on August 28	
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records • TBS advises that AG is tracking for an opinion on Public Accounts (PA) on August 18, which would result in an earliest release by the government of the PA on August 28 (Note: The statutory deadline in September 27) • IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG • AG attended special meeting of IESO Board on OFHP	• Summer – Responding to AG Request (Ongoing)
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		

Item	Key Deliverables / Considerations	Timing / Next Steps
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
August 31, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Supporting Agreement (OFA/OPG)
    - Business Item (OPG/IGS)
    - Fees (ENERGY)

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

FEES RIDER – subs. 19 (3) of the Act – August 28, 2017

1. (1) For the purposes of subsection 19 (3) of the Act, the Financial Services Manager may establish and charge fees to financing entities in relation to the following matters:

1. The services provided by the Financial Services Manager to financing entities, which may include services related to planning, financing, negotiation and execution of agreements, front office services and administrative services.

2. The costs of doing anything that the Financial Services Manager is required or permitted to do under the Act.

(2) The fees mentioned in subsection (1) may provide for a fixed fee and a variable fee based on performance.

2.(1) The fixed fee shall be equal to the reasonable cost of services provided to all financing entities plus a reasonable rate of return.

(2) The variable fee shall be calculated as follows:

$$(A \times (B - C)) \times 5\%$$

Where,

A = the principal amount of all tranches of incremental annual funding obligations,

B = the forecasted weighted interest rate of incremental annual funding obligations, and

C = the actual weighted interest rate of incremental annual funding obligations.

(3) For the purposes of subsection (2), incremental annual funding obligation means the aggregate of all funding obligations issued by all financing entities in a calendar year, including senior debt and subordinated debt.

(4) The variable fee payable for any calendar year shall not be

1. more than 1% of (5% × the incremental annual funding obligations), or

2. less than -1% of (5% × the incremental annual funding obligations).

(5) If the variable fee is a negative amount, such amount shall be deducted from the fixed fee payable in the following calendar year in twelve equal monthly instalments.

3.(1) When the Financial Services Manger submits its proposed fees to the Board, the Financial Services Manager shall provide the following:

1. The methodology that the Financial Services Manager has used to calculate its proposed fixed and variable fees.

2. The methodology that the Financial Services Manager has used to benchmark the each component of the proposed fee.

3. The period of time during which the Financial Services Manager is proposing to charge its proposed fee.

5. The identity of the financing entities that are required to pay the proposed fees.

6. Such other information as the Board may require.

(2) The Board is not bound by any methodology or benchmark provided to it by the Financial Services Manager under subsection (1).

(3) The Board may approve the proposed fees or proposed amendments or may refer the proposal back to the Financial Services Manager for further consideration with the Board's recommendations.

(4) Fees established by the Financial Services Manager and approved by the Board shall be included in the definition of "expenses" for the purposes of determining finance amounts under the Act.

4.(1) The Financial Services Manager may from time to time, but not more than once in any 12 month period, submit proposed amendments to its fees to the Board.

(2) If the Financial Services Manager submits proposed amendments, the proposed amendments shall be submitted no later than 120 days before the Financial Services Manager intends for the fees to be charged.

(3) Subsections (1) and (2) do not apply in the first 12 months after this regulation comes into force.

5.(1) Section 3 applies with such modifications as the context may require to any application by the Financial Services Manager for approval to amend its fees.

6.(1) Where there is more than one financing entity, the total amount payable by a financing entity in respect of fees shall be proportional to the services that it receives from the Financial Services Manager.

7.(1) Upon approving the first fee submitted by the Financial Services Manager, the Board may make it retroactive to a date prior to the date of the Board's approval and not earlier than July 1, 2017.

(2) The Financial Services Manager shall establish a deferral account in connection with subsection 19(3) of the Act that records costs incurred by the Financial Services Manager in providing services referred to in section 1 during the period from July 1, 2017 to the day before the date of the Board's first order under subsection 19(3) of the Act.

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet • ENE/MOF tracking to TB in September for approval **Timing:** Sept 26 TB/MBC
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to determine required monthly process and sign-off mechanism **Timing**: Late Sept/Early Oct
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: Late Sept
OEB Rate & Fees	• OPG is allowed to charge a management fee for its services made up of 1)base fee and 2) performance fee	• Draft Base Fee framework • Draft Performance Fee framework • Regulation	• OPG, ENE and OFA to determine role of OEB in determining fees OPG charges **Timing**: Regulation by the fall

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy
Subject:	Fw: Rate Mitigation Implementation Meeting - July 27, 2017
Date:	Wednesday, July 26, 2017 9:39:17 AM
Attachments:	2017 07 07 Business Issues v01.docx 2017-07-07 Consolidated - OFHP Matrix - Week of July 26_Clean.docx Agenda_Weekly Rate Mitig Implmentation Group_July 27.docx

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From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, July 26, 2017 9:23 AM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet **Timing:** Language finalized by end of July
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Draft Term Sheet • Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to provide comments on Master Subscription Agreement • OPG / OFA / Energy to develop other agreements and revise OPG Articles **Timing**: Documents finalized at end of July
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• OPG to consider value of comfort letter • MOF legal to draft regulation (consider broad vs. narrow) **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: TBD

Implementation of Ontario's Fair Hydro Plan
Week of July 24, 2017

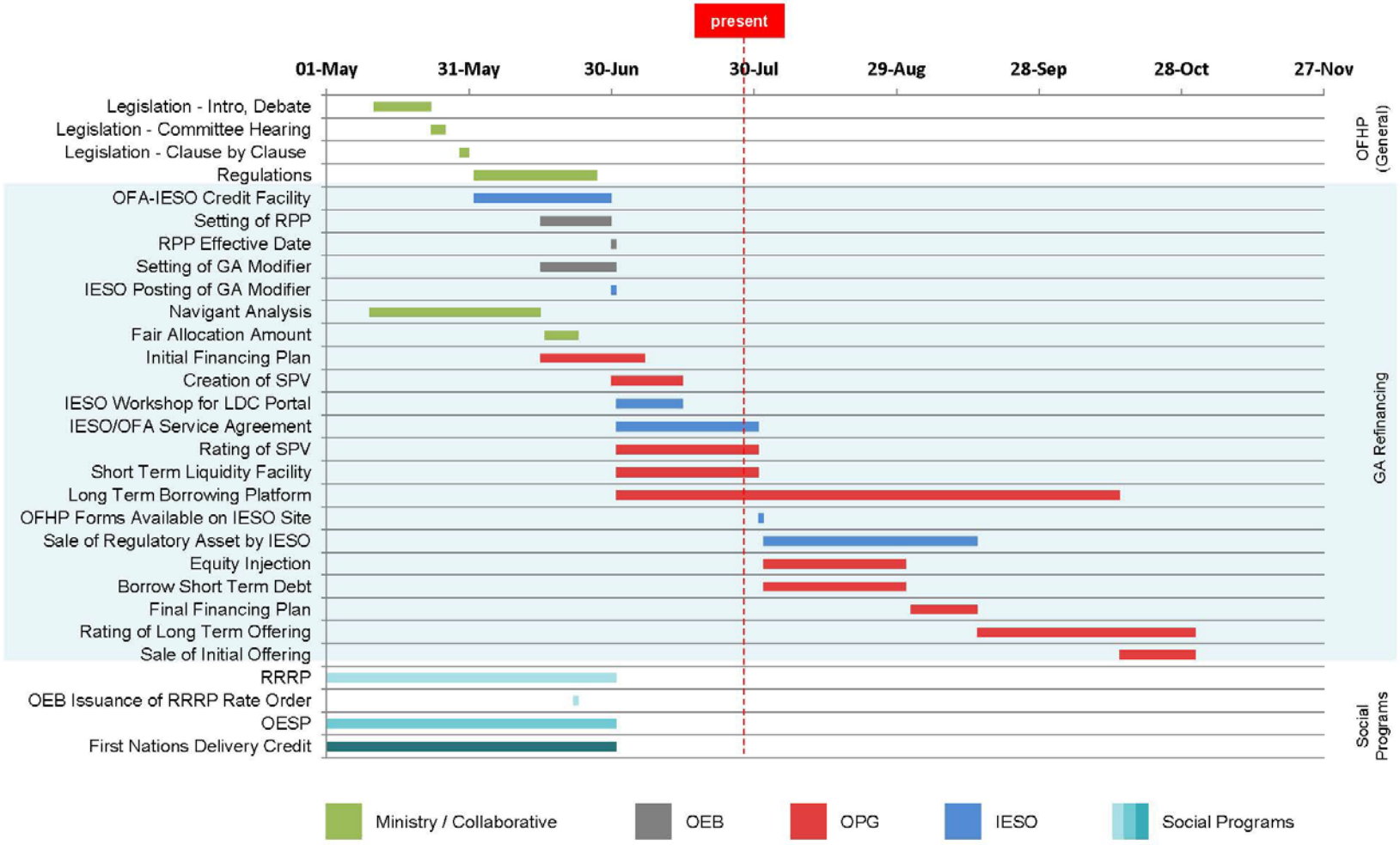
Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Guarantees (i.e., performance / payment, term sheet) o Management Fees Regulation o Interest Collection During the Inflationary Cap Period o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • Summer – TB/Cabinet Approval and s.28 Approval Provincial Guarantees (TBD) • Summer / Fall – OPG Financing (TBD)
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	<u>Recent Action Items</u> • Ministry working with LDCs to finalize program design	• TBD

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	<u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes • Ministry continues to work with MCSS on OESP automatic enrollment, which is tracking for September at earliest	• July 26, 2017 – MCSS going to TB
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • Ministry working with Chiefs on First Nations Delivery Credit (FNDC), with Chiefs expecting to table and pass a resolution next week on who receives credit • Ministry finalizing process for eligibility and working with COO to communicate FNDC • Letter being drafted by Regional Chief Day tracking for week of May 29 • Ministry met with COO on April 26 and May23 regarding FN Rate implementation	• TBD
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity	**Summer 2017:** • LDCs begin to apply to the Trust for funds **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Hydro One, in its administrative capacity, is developing back office support and preparing recommendations for the first meeting of the Board of Trustees	framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	<u>Recent Action Items</u> • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records	• Summer – Responding to AG Request (Ongoing)
7) Bill Presentment (SNAP/LSB)		
• ENERGY	<u>Recent Action Items</u> • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	<u>Recent Action Items</u> • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC

Item	Key Deliverables / Considerations	Timing / Next Steps
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
July 27, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Draft Provincial Guarantees for Dealers (OFA/OPG)
    - Business Item (OPG/IGS)

2) AG Update

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From: Gadi Mayman
To: Ronald Kwan; Ken Kandeepan; Mike Manning
Cc: Anna Strathy; Gavin He
Subject: Fw: Rate Mitigation Implementation Meeting - June 8, 2017
Date: Thursday, June 08, 2017 8:08:55 PM
Attachments: Action Items_June 8.docx

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, June 8, 2017 7:01 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Matthew Kitchen (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: June 7, 2017 8:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Kitchen, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – June 8

1) GA Refinancing
    - Ministry tracking 8 regs for next week
    - Ministry moved OESP reg to June 27
        - Ministry continues to work with MCSS on OESP automatic enrolment, which is tracking for Sept at the earliest
    - Ministry continues to work on general reg and requires input from OPG, IESO and OEB to ensure they have what they need
    - TBS would like a road map to facilitate the presentation at TB
    - OPG to provide language to Ministry for regulation drafting
    - OPG to draft a deck for Minister's OFHP implementation briefing with input from IGSs
    - IESO expecting AG coming to their Board on June 14
    - IESO is working with KPMG to review the interest cost coming back to IESO from OPG during moratorium period
    - OEB drafting supplementary report to go out with revised pricing on June 22
        - OEB to consider announcing pricing earlier in the day rather than afternoon
    - OEB refining answer and key messages to how HydroOne rate application impacts OFHP and will share with Ministry
    - Ministry/OFA to provide comments back to OPG on Provincial Support Agreement Term Sheet by next week
    - MOF, not TBS, to provide S. 28 approval
    - OPG/IESO to confirm timing of when they need Board indemnities (potentially required before IESO Board meeting on the 14th of June)
    - MOF/TBS to look into whether appropriation from TB is required to facilitate the S.28 approval
    - Ministry reviewing CEB/DRC comparison document and will provide comments next week.

2) Other OFHP Initiatives
    - RRRP, OESP and FN:
        - Ministry working with Chiefs on First Nations Delivery credit with Chiefs expecting to table and pass a resolution next week on who receives credit
    - Affordability Fund:
        - Formal written invitation being sent to final trustee who has agreed verbally

From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy
Subject: Fw: Rate Mitigation Implementation Meeting - June 8, 2017
Date: Wednesday, June 07, 2017 9:30:16 PM
Attachments: Agenda_Weekly Rate Mitig Implmentation Group_June 8.docx
Consolidated - OFHP Matrix - Week of June 5 Clean (3).docx
Submission to the Standing Committee on Justice Policy.pdf
Regulations 6 June 2017.docx
2017 06 07 Outstanding Business Issues Ontario Fair Hydro Plan - v05.docx

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Here's the material for your meeting tomorrow.

Gadi

Original Message
From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, June 7, 2017 8:02 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Matthew Kitchen (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
June 8, 2017

Agenda

1) GA Refinancing
    - Regulation (Energy / All)
    - Critical Path Updates (OPG / IESO / OEB)
    - Business Item Upates (IGS)

2) AG
    - Requests (All)
    - Standing Committee

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of June 5, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> **Legislation and Regulations Drafting / House Prep:** • LSB working on: o Regulations – 2 parts (mid and late June). Note: OPG has sketched out what it may require in regulation. Regulation tracking for direct to Cabinet on June 14th (TBC) o ENERGY to share draft regulations with TBS and others once received from Leg. Counsel (aiming for early week of June 5). o Indemnities for OPG and IESO Board members to be in place around Royal Assent o Ministry to work with OPG/OEB/IESO on regulations • Ministry to follow up with stakeholder on rate cap • Blakes and LSB to work with MAG on any constitutional law issues – ongoing • Agencies (OPG/IESO/OEB) to provide critical paths/detailed workplans as required ENERGY to review and provide comments on OFA comparison of Clean Energy Adjustment to DRC (which when ready will be shared with AG) by early week of June 5 • TBS to connect with OFA to determine if it ready to share with IESO • IGS to follow-up with MOF/Tax Policy on indirect taxes imlications **TBS, LRC and Cabinet:** • Ministry working on approval documents for Minister signature for end of week: o LRC / Cabinet Submission on OFH Legislation	• Regulations – mid and late June 2017(TBC) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	o TB/MBC Report Back – GA refinancing, Social programs and ICI. Note: TB looking for variability risk analysis for Social programs o TBS to draft a chart with report backs o TBS to look at more streamlined approval process (Cabinet sitting as TB, LRC) o Ministry to share drafts by end of week • Ministry working with Navigant to prepare a report on long lived assets and associated assessment of value. Interim report expected mid-May, followed by final report in June • OPG and IESO's independent accounting work is complete: • OPG memo and E&Y accounting opinion has been delivered to Ministry • IESO has finalized KPMG's work • Agencies are each working a one page summary that could be released publically • OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge • Indemnities for Boards are tracking forward to be in place when legislation comes into force • Guarantees for dealers are still being explored and to be done in conjunction with rating process **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market (OPG expected to go to market September/October) – IESO/OPG to work together on outstanding issues regarding OPG cash flows • OPG to confirm proposed tax status of the Special Purpose Vehicle (SPV) • OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July. Documents	

Item	Key Deliverables / Considerations	Timing / Next Steps
	will include commentary on credit worthiness. Potential engagement of Moody's/S&P/DBRS • OPG to draft terms of guarantee to dealers (which will be presented to dealers) • Ministry to work with OPG to ensure alignment with OPG internal report for its Board • MOF, Energy and OPG work on equity injection mechanics, approvals and valuation approach • OPG undertaking modelling, but initial borrowing amount will come from formula in legislation. • Ministry draft assurances / indemnification for Board member and Shareholder Resolution re articles of incorporation/borrowing (Timing TBD) • OPG to meet with OAG next Thursday (TBC) • OPG on track with Board meeting on May 12 to approve recommendation • OPG guarantees won't be negotiated until a later stage and guarantee for market disruption is still in play **IESO:** • IESO to discuss LDC issues with OEB • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO memo and KPMG accounting opinion has been delivered to Ministry • Ministry draft assurances / indemnification for Board member • IESO is producing a document to respond to AG questions – to be shared with TBS for review • IESO letter went to OFA to request $2.5B total credit **OEB:** • OEB continues to work through drafting issues with LSB (e.g., role in review of admin costs, timing of revised RPP, why there needs to be an OEB objective) • OEB's cannot reset prices until regulation is public, but work will happen in the background to ensure a common understanding of regulations	

Item	Key Deliverables / Considerations	Timing / Next Steps
	Considerations • Ongoing financing, accounting and legal risk assessments. • OPG needs to have regulations finalized to move forward on ratings process • OEB needs regulations to move forward with pricing, which is on track for June 22	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • SNAP convened LDC WG May 18th to discuss bill presentment and SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each • Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases • Ministry working with LDCs to finalize program design Considerations • Staff working on regulations with LSB • Staff intending to share drafts of the regulations once created with OEB and IESO policy/legal staff •	• Regulations – June 2017 • Implementation of expanded program and reduction in RRRP charge is targeted for July 1 2017
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • OEB removed OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes	• Regulations – June 2017 • Enhanced benefits and removal of OESP charge will take effect in May 2017

Item	Key Deliverables / Considerations	Timing / Next Steps

	• Ministry to meet with MCSS regarding taking over OESP administration
	• Ministry received final legislation, which includes information sharing provision with MCSS
	
	<u>Considerations</u>
	• Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise.
	• Positive progress with OEB on implementation:
	  o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts;
	  o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support.
	• As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100 million) to reduce current OESP charge to zero and continue funding existing program until tax changes in place.
	• Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	

4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • Ministry finalizing process for eligibility and working with COO to communicate FNDC	• Regulations – June 2017 • Introduction of FNDC program targeting July 1 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Letter being drafted by Regional Chief Day tracking for week of May 29. • Ministry met with COO on April 26, 2017 and May23rd regarding FN Rate implementation <u>Considerations</u> • Eligibility will be for First Nation on Reserve consumers who are receiving HST exemption to be automatically qualified for the Delivery credit. • Staff working with COO on a communication strategy • LDCs have been made aware of the eligibility requirement and indicate they can do this quickly/easily. • Work with LDCs on implementation details that need to be legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. •	
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • Affordability Fund advisory committee reached consensus on three LDCs + two social agencies to be represented on Trust Board (Ottawa Carleton UW / Advocacy Centre for Tenants Ontario (ACTO) / Thunder Bay Hydro / Hydro One / Alectra) • ACTO declined the invitation to participate on the Board of Trustees due to other demands/priorities. The advisory committee is contacting the Neighbour to Neighbour Centre to invite a representative to participate on the Board. Response pending. • Advisory Committee working to confirm remaining social service agency representative required for Board of Trustees • In its administrative capacity, Hydro One is preparing	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome

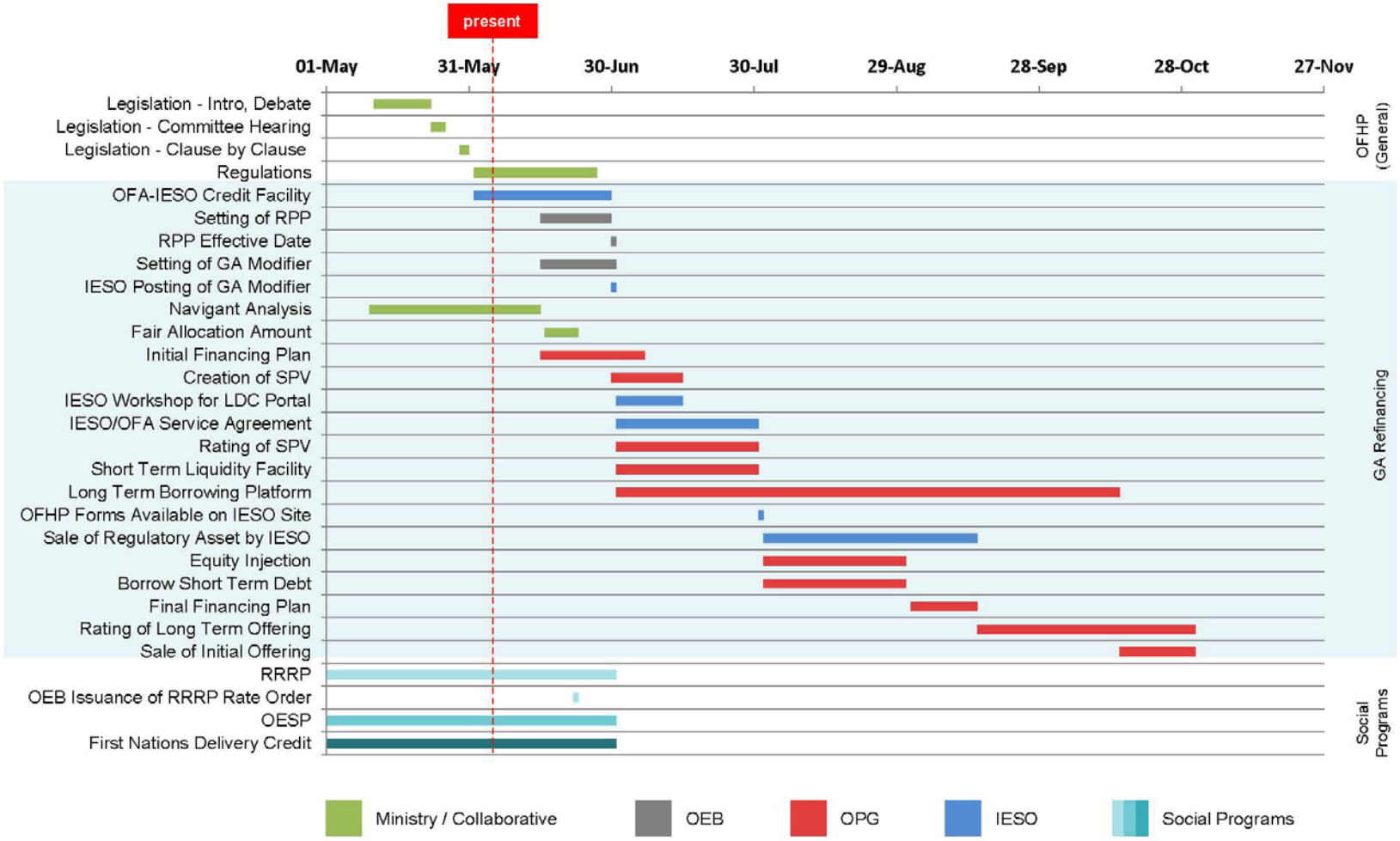
Item	Key Deliverables / Considerations	Timing / Next Steps
	documentation to replace Computershare, as the original trustee, with the Board of Trustees. Hydro One is also developing back office support and preparing recommendations for the first meeting of the Board of Trustees. <u>Considerations</u> • Legislative changes not required.	measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	<u>Recent Action Items</u> • Ministry promoting value of ICI (i.e., at upcoming OCC Annual General meeting) – OCC educational outreach work underway. • Ministry discussing with CME ongoing <u>Considerations</u> • Ongoing outreach with LDCs being undertaken by IESO.	• Report back to TB/MBC on May 9, 2017 • Effective April 2017
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:**	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provided FAO staff with a technical briefing on the OFHP • ENERGY provided feedback to FAO regarding its report on GA Refinancing • IESO to offer FAO separate meeting with KPMG (FAO declined)	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • March 31, 2017: Ministry submitted responsive materials • May 24, 2017: FAO report to be provided to MO on Tuesday morning and be released on Wednesday at 9AM
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• IESO is producing a document to respond to AG questions – to be shared with TBS for review

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OEB has been asked by AG for all correspondence between all parties by June 2 • OFA has received similar request • ENERGY has received AG request for contracts and ToR for accounting advice (request to be re-directed to agencies) • ENERGY and other ministries have received additional/broader scope request from AG. Responses to be coordinated across ministries • AG meeting with IESO Board June 14. KPMG to attend • TBS to follow-up on whether AG met with large audit firms and outcome	
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • Bill inserts will be ready for July 1 with bill redesign to occur in the Fall	• Initial discussion on March 31, 2017

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Legislated Accounting Included in Bill 132, Including the Proposed *Ontario Fair Hydro Plan Act, 2017*

Submission to Standing Committee on Justice Policy

May 25, 2017

Office of the Auditor General of Ontario
20 Dundas Street W., Suite 1530
Toronto, Ontario M5G 2C2

Introduction[1]

It is not the role of the Auditor General to comment on government policy. The government's intent to borrow money to lower hydro bills by 25% is a policy decision, and therefore we have no comment on this. The purpose of this submission is to highlight our concerns about the accounting implications of the proposed Act. Through Bill 132 and its proposed *Ontario Fair Hydro Plan Act, 2017* (the proposed Act), the government is planning to provide a 25% price reduction to certain electricity consumers (ratepayers), while at the same time showing no, or minimal, effect on the annual operating results and financial position of the Province.

Legislated accounting prescribed by the proposed Act is designed to produce the following impacts on the Province's consolidated financial statements:

(1) an increase in provincial borrowings for a portion of the debt needed to fund the 25% electricity price reduction;

(2) an increase in the Province's investment in Ontario Power Generation (OPG), funded by provincial borrowings;

(3) no increase in provincial net debt as a result of the offset between (1) and (2) above;

(4) no expense impact on the Province's annual deficit; and

(5) an increase in revenues in the Province's consolidated financial statements from OPG for interest and fees that it received through OPG Trust.

The proposed Act legislates the creation of a deferred asset account in the Independent Electricity System Operator's (IESO) books. This deferral account would track the cost paid to contracted power

[1] This analysis uses information from Bill 132, the Financial Accountability Office of Ontario's Spring 2017 report titled *An Assessment of the Fiscal Impact of the Province's Fair Hydro Plan*, and applicable Canadian Public Sector Accounting Standards as at the date of this submission.

generators in excess of the amount recovered from electricity consumers (ratepayers) for electricity used. Payments to generators are currently being fully recovered from ratepayers on an ongoing basis.

The reduction of ratepayer bills by 25% results in a cash shortfall that will need to be covered by IESO. As a result of the 25% reduction in ratepayer bills, IESO will need a source of cash to pay the contracted power generators in accordance with the terms of their contracts. Potential sources of cash to finance this shortfall could be the sale of an asset, and debt. IESO has no assets to sell with respect to these contracts, as the generating equipment belongs to the third-party power generators, thereby removing the sale of assets as a source for cash. The proposed Act puts in place a debt-financing structure in order to flow cash to IESO, but the financing structure would show no increase in the Province's net debt.

In order to avoid recording an increase in net debt on the Province's consolidated financial statements, the proposed Act will create a legislated asset, representing IESO's cash shortfall. This legislated asset does not meet the definition of an asset under Canadian Public Sector Accounting Standards (PSAS). IESO does not control the future power generation of the third-party generators or the future benefit of the generating equipment past the term of the contracts. Moreover, IESO is not engaging in rate-regulated activities, and the contracts under its administration were never subject to rate regulation.

The proposed Act outlines that the legislated asset will be sold by IESO on a monthly basis to a "financing entity" (which it proposes will be OPG Trust, to be set up in accordance with subsection 22 (2) of the proposed Act) to be created by the "Financial Services Manager" (OPG, as appointed by section 18 of the proposed Act). The asset to be sold is the loss or the cash shortage that IESO will experience as a result of collecting less money from ratepayers through the local distribution companies, while still paying 100% of the amounts owed to the third-party power generators under contract. OPG Trust will purchase the legislated asset on a monthly basis, using cash sourced from a mix of provincial borrowing flowed through OPG, amounts advanced from OPG's debt, and direct borrowing from capital markets.

Proposed Legislated Transaction Structure
Prepared by the Office of the Auditor General of Ontario

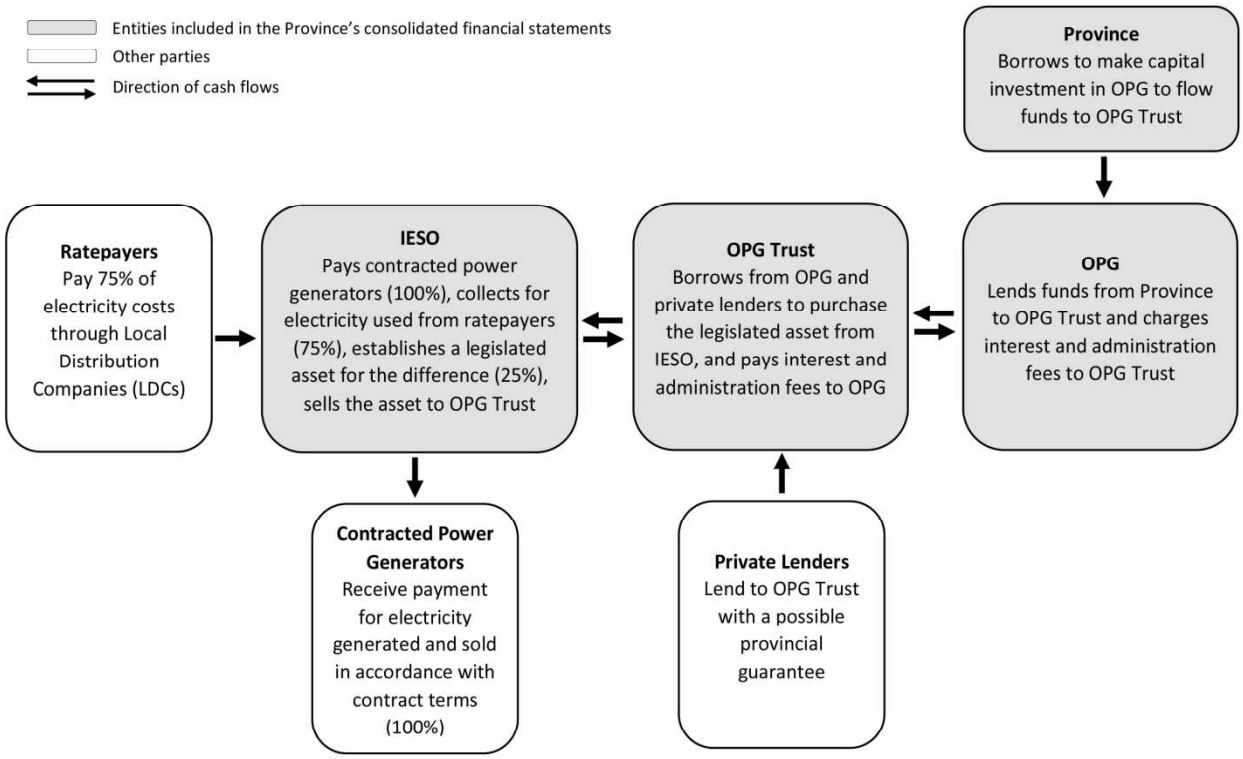


Illustration of Legislated Accounting Prescribed in the Proposed Act

The following illustrates how the proposed legislated accounting would impact the various entities that are included in the Province's consolidated financial statements.

For simplicity, we assume the following:[2]

- Ratepayer bill is $400, and the related 25% reduction is $100.
- The Province directly borrows 44%, or $44, to make an equity contribution to OPG, which OPG then loans to OPG Trust.
- OPG directly borrows 5%, or $5, and loans it to OPG Trust.
- OPG Trust directly borrows 51%, or $51, from capital markets.
- OPG controls OPG Trust for accounting purposes.

[2] These assumptions were chosen to make it easier to follow the transaction flow. Actual rates and percentages are yet to be determined.

IESO

IESO pays the contracted power generator $400 for electricity used by the ratepayer, collects $300 from the ratepayer through their local distribution company (LDC), and sets up a legislated asset of $100 for the recovery shortfall. IESO sells the legislated asset to OPG Trust for $100 to obtain cash to make up the shortfall. These amounts net to zero and therefore show no accounting impact for the recovery shortfall on IESO's bottom line once all of the transactions have been settled in cash.

OPG Trust

OPG Trust records $49 ($44 + $5) borrowed from OPG as a "Due to OPG" (loan payable) and $51 borrowed from private lenders as long-term debt. OPG Trust purchases the legislated asset from IESO for $100 and records it as an Intangible Asset. OPG Trust incurs administration fees paid to OPG and interest expense. These costs are added to the Intangible Asset balance.

OPG

OPG records $44 from the Province as an increase in equity and cash. OPG borrows $5 from its credit facilities. OPG lends $49 to OPG Trust and records a loan receivable from OPG Trust. OPG also records administration fee revenue per its agreement with OPG Trust. OPG earns administration fees and interest revenue from OPG Trust and incurs an interest expense.

OPG's Consolidated Results, Including OPG Trust

OPG's consolidated balances reflect an Intangible Asset of $100, a Loans Due to OPG/Loans Due from OPG Trust of $0 (due to intercompany elimination upon consolidation), an Equity increase of $44 from the Province, a Long Term Debt increase of $56, plus income relating to administration fees and net interest earned.

Province's Consolidated Financial Statements

There is no effect on the Province's net debt, as the Province's $44 of debt is offset by the Province's $44 increased investment in OPG. There is no annual expense effect on the Province's surplus or deficit from the consolidation of IESO due to the creation of the legislated asset. This is because the legislated asset closes the gap between the amount IESO pays to third-party power generators and the amount it collects from ratepayers. However, the Province's annual deficit is lowered by the amount of administration fees and net interest revenue earned by OPG.

Illustration Using Canadian Public Sector Accounting Standards

The following illustrates how the application of the Canadian Public Sector Accounting Standards would impact the various entities that are included in the Province's consolidated financial statements.

For simplicity, we make the same assumptions as in the previous section, that is:[3]

- Ratepayer bill is $400, and the related 25% reduction is $100.
- The Province directly borrows 44% to make an equity contribution to OPG, which OPG then loans to OPG Trust
- OPG directly borrows 5% and loans it to OPG Trust.
- OPG Trust directly borrows 51% from capital markets.
- OPG controls OPG Trust for accounting purposes.

IESO

IESO pays the contracted power generator $400 for electricity used by the ratepayer, collects $300 from the ratepayers through their local distribution company (LDC), and records $100 in expenses for the

[3] These assumptions were chosen to make it easier to follow the transaction flow. Actual rates and percentages are yet to be determined.

recovery shortfall. OPG Trust loans IESO $100 to make up the shortfall. IESO records $100 as Due to OPG Trust (loan payable) and shows an annual deficit of $100 resulting from the recovery shortfall.

OPG Trust

OPG Trust records $49 ($44 + $5) borrowed from OPG as a "Due to OPG" (loan payable) and $51 borrowed from private lenders as long-term debt. OPG Trust lends $100 to IESO and records this as a Due from IESO (loan receivable). OPG Trust incurs administration fees paid to OPG and pays an interest expense to OPG and private lenders. These amounts are expensed in OPG Trust's financial statements.

OPG

OPG records $44 from the Province as an increase in equity and cash. OPG borrows $5 from its credit facilities. OPG lends $49 to OPG Trust and records a loan receivable from OPG Trust. OPG also records administration fee revenue per its agreement with OPG Trust. OPG earns administration fees and interest revenue from OPG Trust and incurs an interest expense.

OPG's Consolidated Results, Including OPG Trust

OPG's consolidated balances reflect a "Due from IESO" of $100, a Loans Due to OPG/Loans Due from OPG Trust of $0 (due to intercompany elimination upon consolidation), an Equity increase of $44 from the Province, a Long Term Debt increase of $56, plus income related to administration fees and net interest earned.

Province's Consolidated Financial Statements

The Province's net debt and annual deficit increase by $100 as a result of the consolidation of IESO. This reflects the expenses that IESO incurs from the shortfall between what it collects from the ratepayer through their local distribution company and what it pays to the contracted power generator. It also

reflects IESO's loan payable balance for the cash borrowed by IESO from OPG Trust to fund the cash shortfall.

There is no effect on the Province's net debt from the consolidation of OPG. The $44 borrowed directly by the Province to provide equity funding to OPG is offset by a $44 increase to the Province's investment in OPG.

However, flowing provincial cash through a Government Business Enterprise (such as OPG) to lend to an Other Government Organization (such as IESO) is unusual. Under Canadian Public Sector Accounting Standards (PSAS), this flow would result in net debt being $100 higher (comprised of $144 in total debt offset by the Province's $44 investment in OPG) and total debt being $144 higher (comprised of the $100 IESO loan payable to OPG Trust, along with the $44 in provincial debt raised to fund the investment in OPG). Under PSAS, intercompany transactions between the Province and Government Business Enterprises are not eliminated upon consolidation. Therefore, the Province's $44 investment in OPG is not eliminated against the increased $44 equity balance reported in OPG's financial statements. This $44 anomaly will need to be addressed further. In addition, by flowing cash through OPG, the Province's annual deficit is lowered by the amount of administration fees and net interest revenue earned by OPG.

If the Province were to borrow directly, as is generally done, the total debt and net debt increase would be $100. As well, the Province's annual deficit would not be lowered by the amount of administration fees and net interest revenue earned by OPG.

Conclusion

Legislating the accounting treatment of a government policy does not necessarily mean that the impact of the policy decision will be fairly reflected in the Province's consolidated financial statements.

Accordingly, the Office of the Auditor General of Ontario will always provide an audit opinion to the Legislature and the citizens of Ontario based on whether the Province's consolidated financial statements fairly present Ontario's annual results and financial position in accordance with Canadian Public Sector Accounting Standards.

Updated: June 6, 2017

Regulations – Master List	
Social Programs	
• OESP O. Reg. 314/15 – amendments	Now tracking to June 27
• RRRP expansion to R2	In progress
• Distribution Rate Protection	Ready
• First Nation Rate Distribution	Ready
• Bill Presentment – require bill insert quarterly; prescribed messages; First Nations Delivery credit	Ready
GA Refinancing	
• Part II Reg.	In progress
• General Regulation	June 27
• O. Reg. 429/04 (GAM) – amendments	No longer required
• O. Reg. 280/14 (IESO Eligible Borrowing) – amendments	Ready
Other – Bill Presentment	
• O. Reg. 364/16 – repeal in part to remove 8% on bill and on envelope messaging; exempt Hydro One	COMPLETED
• O. Reg. 442/01 – remove RRRP messaging for Hydro One	Ready
• O. Reg. 275/04 – remove DRC message; exempt Hydro One	Ready

Outstanding Business Issues – Ontario Fair Hydro Plan

Briefing Note

PURPOSE

The following provides an overview of outstanding business issues that OPG and Ministry of Finance, in coordination with Energy are working through

BUSINESS ISSUES

1. **Provincial Support Agreement Term Sheet (Performance and Payment 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:**
     - Province will provide comments back to OPG on the draft term sheet, anticipated next week
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - Provincial staff, with OPG's concurrence, recommends minimizing, 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 from PILs the income arising to the OPG financing vehicle / OPG as a consequence of the Fair Hydro Plan
   - 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 MOF, OFA and OPG are working together to determine required regulation changes.
       Timing: A call with tax policy, OPG and Torys is set for early next week

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**
    - OPG will require equity injections on a monthly basis, to match the timing of the purchase of the IESO regulatory asset, as applicable, 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 a fiscally-neutral operating asset expenditure of $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:**
        - Finalize a draft term sheet
        - to serve as the basis for the Master Subscription Agreement between OPG/ENE and OFA
        - OFA and ENE to develop Service Level Agreement for monthly cash management services
        - Amendment to OPG articles required to facilitate issuance of new class of shares
        - Timing: OPG will require the ability to issue equity in August, so mechanics and agreements should be finalized in July

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.
    - There are two components to the management fee model proposed by OPG:
        - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes
        - Performance fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount
    - **Next Steps:**
        - OEB to provide comments on OPG's proposed framework.
        - Draft regulations enabling this fee structure in development in parallel
        - Timing: For incorporation into the June 27th regulations

5. **Subordinated Debt Loan Agreement**
    - OPG will lend the equity injection from the Province to the Fair Hydro Trust by way of subordinated debt
    - Based on monthly funding requirements of the GA asset, the Trust will use short term financing and take out bonds once short term funding reaches certain levels
    - OPG and OFA are working on a Debt Loan Arrangement that would establish the interest rates on the subordinated debt
    - **Next Steps:**
        - OPG and OFA will bring forward a recommended framework for determining interest rates
        - Timing: TBD

6. **IESO – Increased OFA Credit Facilities**
    - THE OPG financing entity is not expected to be immediately operational, so the IESO will need to have transitional financing in place to manage the difference in the payments to generators and other service providers vs payments from loads / LDCs
    - There may also be on-going monthly cash flow timing differences that the IESO will need a credit facility for
    - In addition, the OPG financing entity has the right to purchase the regulatory asset from IESO but is not required to purchase it
    - IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
    - **Next Steps:**
        - OFA is drafting a new agreement for a $2 billion credit facility for the OFA to lend funds to IESO for FHP purposes. Concurrently, the OFA is seeking the Minister's approval for an LRC submission to approve an OIC for an additional $2 billion in borrowing capacity, as well as a Directive from the Minister of Finance, which are both necessary for the OFA to lend funds to IESO under the requested new Credit Facility
        - Timing: The OIC is scheduled for the June 27, 2017 LRC meeting. The Directive and Credit Facility Agreement are currently being drafted, to be in place by July 1st, 2017

7. **OPG Indemnity**
    - OPG (and IESO) are asking for the Province to indemnify the IESO, OPG (the entities) and their respective directors, officers and employee in order to allow them to carry out their roles in implementing the Ontario Fair Hydro Plan and primarily the Global Adjustment refinancing
    - Indemnification will need to ensure separation between the Province and OPG is maintained

- **Next Steps:**
    - Staff in Ministry of Finance and Treasury Board Secretariat have received initial documents and are currently reviewing
    - Depending on the structure of the indemnity requested, an OIC may be required to provide authority to the Minister of Finance
    - Timing: If an OIC is required this would be included in the June 27th, 2017 submission in order for July 1 implementation

From: Gadi Mayman
To: Ronald Kwan; Ken Kandeepan; Mike Manning
Cc: Anna Strathy; Gavin He
Subject: Fw: Rate Mitigation Implementation Meeting - June 1, 2017
Date: Thursday, June 01, 2017 8:38:54 PM
Attachments: Action Items_June 1.docx

Original Message
From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, June 1, 2017 7:55 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - June 1, 2017

Please find attached the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 31, 2017 7:03 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - June 1, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – June 1

1) GA Refinancing
    - Energy to share draft regulations with TBS and others once received from leg council (aiming for early next week)
    - TBS to follow-up with Energy on TB Report Back expectations and timelines
    - IGS to follow-up with MOF/Tax Policy on indirect taxes implication
    - Agencies (OPG/IESO/OEB) to develop and circulate more detailed work plans, as required. OEB provided a detailed work plan that outlined timeline and work deliverables to be finalized by June 22
    - OFA circulated a document comparing of Clean Energy Adjustment to the Debt Retirement Charge (DRC), which when finalized would be shared with AG
        - Energy to review and provide comments early next week
    - IESO provided AG with all requested documents yesterday. OEB has AG request due June 2. OFA is also working on AG request. AG is meeting with IESO Board on June 14, KPMG will attend
        - TBS to follow-up on whether AG met with large audit firms and outcome
        - Energy to include standing item on future agendas regarding AG matters

2) Other OFHP Initiatives
    - RRRP, OESP and FN:
        - No substantive update
    - Affordability Fund:
        - Advisory Committee working to confirm remaining social service agency representative required for the Board of Trustees

From: Gadi Mayman
To: Ronald Kwan; Ken Kandeepan; Mike Manning
Cc: Anna Strathy; Gavin He
Subject: Fw: Rate Mitigation Implementation Meeting - June 1, 2017
Date: Wednesday, May 31, 2017 7:22:44 PM
Attachments: Agenda_Weekly Rate Mitig Implmentation Group_June 1.docx
2017 05 31 Outstanding Business Issues Ontario Fair Hydro Plan - v03.docx
Consolidated - OFHP Matrix - Week of May 29 Clean.docx

Original Message
From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, May 31, 2017 7:03 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: Rate Mitigation Implementation Meeting - June 1, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
June 1, 2017

Agenda

1) GA Refinancing
    - Committee Debrief (LSB)
    - Regulation Drafting (Energy / All)
    - Critical Paths (OPG / IESO / OEB)
    - Comparison of Clean Energy Adjustment to Debt Retirement Charge (OFA)
    - Draft Provincial Guarantees for Dealers (OPG/OFA)
    - Business Item (OPG/IGS)

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

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. **Provincial Support Agreement Term Sheet (Performance and Payment 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 have discussed a draft term sheet and the OFA, MOF and Blakes will work together to provide comments
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July.

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - Provincial staff, with OPG's concurrence, recommends minimizing, 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 from PILs the income arising to the OPG financing vehicle / OPG as a consequence of the Fair Hydro Plan.
   - 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 MOF, OFA and OPG are working together to determine required regulation changes.
     - Torys prepared a memo on the item
     - Timing: MOF will be setting up a call with tax policy, OPG and Torys to discuss a memo Torys prepared on the item in the next few days

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**
    - OPG will require equity injections on a monthly basis, to match the timing of the purchase of the IESO regulatory asset, as applicable, 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 a fiscally-neutral operating asset expenditure of $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:
        - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
        - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount.
    - **Next Steps:**
        - OPG and OEB will bring forward a recommended framework for developing management fees.
        - Timing: TBD

5. **Subordinated Debt Loan Agreement**
    - OPG will lend the equity injection from the Province to the Fair Hydro Trust by way of subordinated debt

- Based on monthly funding requirements of the GA asset, the Trust will use short term financing and take out bonds once short term funding reaches certain levels
- OPG and OFA are working on a Debt Loan Arrangement that would establish the interest rates on the subordinated debt
- **Next Steps:**
    - OPG and OFA will bring forward a recommended framework for determining interest rates
    - Timing: TBD

6. IESO – Increased OFA Credit Facilities

- THE OPG financing entity is not expected to be immediately operational, so the IESO will need to have transitional financing in place to manage the difference in the payments to generators and other service providers vs payments from loads / LDCs.
- There may also be on-going monthly cash flow timing differences that the IESO will need a credit facility for.
- In addition, the OPG financing entity has the right to purchase the regulatory asset from IESO but is not required to purchase it.
- IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
- **Next Steps:**
    - OFA is drafting a new agreement for a $2 billion credit facility for the OFA to lend funds to IESO for FHP purposes. Concurrently, the OFA is seeking the Minister's approval for an LRC submission to approve an OIC for an additional $2 billion in borrowing capacity, as well as a Directive from the Minister of Finance, which are both necessary for the OFA to lend funds to IESO under the requested new Credit Facility.
    - Timing: The OIC is scheduled for the June 27, 2017 LRC meeting. The Directive and Credit Facility Agreement are currently being drafted, to be in place by July 1st, 2017

7. OPG Indemnity

- OPG (and IESO) are asking for the Province to indemnify the IESO, OPG (the entities) and their respective directors, officers and employee in order to allow them to carry out their roles in implementing the Ontario Fair Hydro Plan and primarily the Global Adjustment refinancing.
- Indemnification will need to ensure separation between the Province and OPG is maintained
- **Next Steps:**

- Staff in Ministry of Finance and Treasury Board Secretariat have received initial documents and are currently reviewing.
- Depending on the structure of the indemnity requested, an OIC may be required to provide authority to the Minister of Finance
- Timing: If an OIC is required this would be included in the June 27th, 2017 submission

Implementation of Ontario's Fair Hydro Plan
Week of May 29, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> **Legislation and Regulations Drafting / House Prep:** • Leg Counsel finalizing legislation • LSB working on: o Committee motions – Ministry working on motions. Ministry to finalize motions by noon May 29 to deliver to Clerks by 6 pm. o Regulations – 2 parts (mid and late June). Note: OPG has sketched out what it may require in regulation. Regulation tracking for direct to Cabinet on June 14th (TBC) o Indemnities for OPG and IESO Board members to be in place around Royal Assent o Ministry to work with OPG/OEB/IESO on regulations • Ministry to follow up with stakeholder on rate cap • Blakes and LSB to work with MAG on any constitutional law issues – ongoing • MO to work with MOF/TBS MOs to request their Ministers for house debate (Week May 15, 2017) • Agencies (OPG/IESO/OEB) to provide critical paths for the next meeting • OFA to have comparison of Clean Energy Adjustment to DRC (ready by end of week) • TBS to connect with OFA to determine if it ready to share with IESO **TBS, LRC and Cabinet:** • Ministry working on approval documents for Minister signature	• Approval dates: o TB – May 9 2017; and o LRC/Cabinet – May 10, 2017 • Legislation / House dates: o Legislation introduction – May 11, 2017 o Opposition Briefing (TBD) o Debate – Week of May 15, 2017 o Committee/Public Hearings – Week of May 23, 2017 o Committee/Clause by Clause – Week of May 29, 2017 • Regulations – June 2017 • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	for end of week: o LRC / Cabinet Submission on OFH Legislation o TB/MBC Report Back – GA refinancing, Social programs and ICI. Note: TB looking for variability risk analysis for Social programs o TBS to draft a chart with report backs o TBS to look at more streamlined approval process (Cabinet sitting as TB, LRC) o Ministry to share drafts by end of week • Ministry working with Navigant to prepare a report on long lived assets and associated assessment of value. Interim report expected mid-May, followed by final report in June • OPG and IESO's independent accounting work is complete: • OPG memo and E&Y accounting opinion has been delivered to Ministry • IESO has finalized KPMG's work • Agencies are each working a one page summary that could be released publically • OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge • Indemnities for Boards are tracking forward to be in place when legislation comes into force • Guarantees for dealers are still being explored and to be done in conjunction with rating process **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market (OPG expected to go to market September/October) – IESO/OPG to work together on outstanding issues regarding OPG cash flows • OPG to confirm proposed tax status of the Special Purpose Vehicle (SPV)	

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July. Documents will include commentary on credit worthiness. Potential engagement of Moody's/S&P/DBRS • OPG to draft terms of guarantee to dealers (which will be presented to dealers) • Ministry to work with OPG to ensure alignment with OPG internal report for its Board • MOF, Energy and OPG work on equity injection mechanics, approvals and valuation approach • OPG undertaking modelling, but initial borrowing amount will come from formula in legislation. • Ministry draft assurances / indemnification for Board member and Shareholder Resolution re articles of incorporation/borrowing (Timing TBD) • OPG to meet with OAG next Thursday (TBC) • OPG on track with Board meeting on May 12 to approve recommendation • OPG guarantees won't be negotiated until a later stage and guarantee for market disruption is still in play **IESO:** • IESO to discuss LDC issues with OEB • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO memo and KPMG accounting opinion has been delivered to Ministry • Ministry draft assurances / indemnification for Board member • IESO is producing a document to respond to AG questions – to be shared with TBS for review • IESO letter went to OFA to request $2.5B total credit **OEB:** • OEB continues to work through drafting issues with LSB (e.g., role in review of admin costs, timing of revised RPP, why there needs to be an OEB objective) • OEB's cannot reset prices until regulation is public, but work	

Item	Key Deliverables / Considerations	Timing / Next Steps
	will happen in the background to ensure a common understanding of regulations <u>Considerations</u> • Ongoing financing, accounting and legal risk assessments. • OPG needs to have regulations finalized to move forward on ratings process • OEB needs regulations to move forward with pricing, which is on track for June 22	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	<u>Recent Action Items</u> • SNAP convened LDC WG May 18th to discuss bill presentment and SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each • Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases • Ministry working with LDCs to finalize program design <u>Considerations</u> • Staff working on regulations with LSB • Staff intending to share drafts of the regulations once created with OEB and IESO policy/legal staff •	• Approval dates: o Cabinet June 14th • Legislation / House dates: ~~o~~ Legislation introduction – o Committee/Clause by Clause – Week of May 29, 2017 • Regulations – June 2017 • Implementation of expanded program and reduction in RRRP charge is targeted for July 1 2017
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	<u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • OEB removed OESP from bill as of May 1.	• Approval dates: o TB – May 9 2017; and o LRC/Cabinet – May 10, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
	• SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes • Ministry to meet with MCSS regarding taking over OESP administration • Ministry received final legislation, which includes information sharing provision with MCSS <u>Considerations</u> • Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise. • Positive progress with OEB on implementation: o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts; o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100 million) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Legislation / House dates: o Legislation introduction – May 11, 2017 o Opposition Briefing (TBD) o Debate – Week of May 15, 2017 o Committee/Public Hearings – Week of May 23, 2017 o Committee/Clause by Clause – Week of May 29, 2017 • Regulations – June 2017 • Enhanced benefits and removal of OESP charge will take effect in May 2017
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC	• Approval dates: o TB – May 9 2017; and o LRC/Cabinet – May 10, 2017 • Legislation / House dates: o Legislation introduction – May 11, 2017 o Opposition Briefing (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Ministry finalizing process for eligibility and working with COO to communicate FNDC • Letter being drafted by Regional Chief Day tracking for week of May 29. • Ministry met with COO on April 26, 2017 and May23rd regarding FN Rate implementation <u>Considerations</u> • Eligibility will be for First Nation on Reserve consumers who are receiving HST exemption to be automatically qualified for the Delivery credit. • Staff working with COO on a communication strategy • LDCs have been made aware of the eligibility requirement and indicate they can do this quickly/easily. • Work with LDCs on implementation details that need to be legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. •	o Debate – Week of May 15, 2017 o Committee/Public Hearings – Week of May 23, 2017 o Committee/Clause by Clause – Week of May 29, 2017 • Regulations – June 2017 • Introduction of FNDC program targeting July 1 2017
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • Affordability Fund advisory committee reached consensus on three LDCs + two social agencies to be represented on Trust Board (Ottawa Carleton UW / Advocacy Centre for Tenants Ontario (ACTO) / Thunder Bay Hydro / Hydro One / Alectra) • ACTO declined the invitation to participate on the Board of Trustees due to other demands/priorities. The advisory committee is contacting the Neighbour to Neighbour Centre to invite a representative to participate on the Board. . Response pending. • In its administrative capacity, Hydro One is preparing	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes **June 2017:** • Report back to TB/MBC with final program details and a performance management

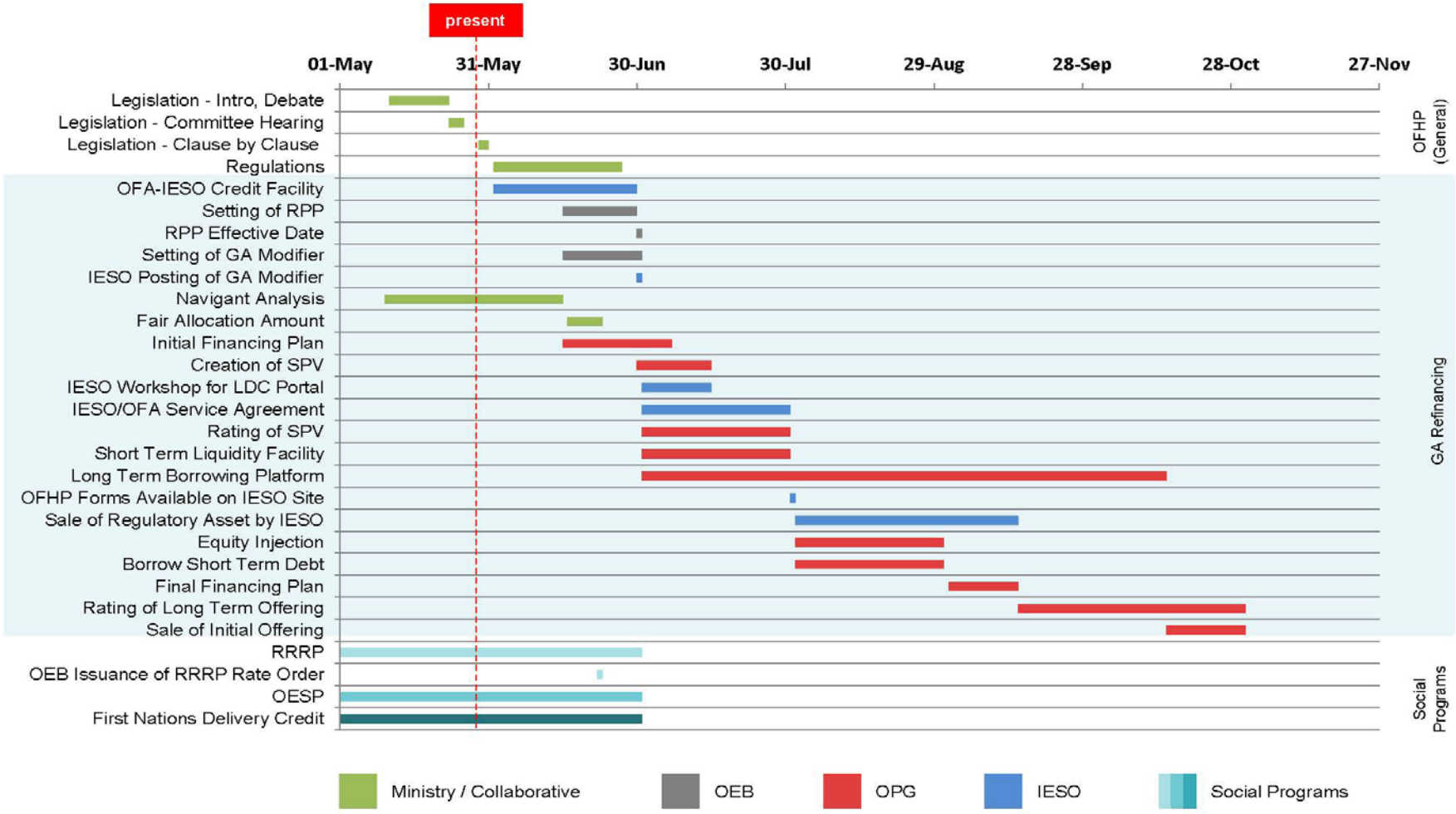
Item	Key Deliverables / Considerations	Timing / Next Steps
	documentation to replace Computershare, as the original trustee, with the Board of Trustees. Hydro One is also developing back office support and preparing recommendations for the first meeting of the Board of Trustees. Considerations • Legislative changes not required.	framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ministry promoting value of ICI (i.e., at upcoming OCC Annual General meeting) – OCC educational outreach work underway. • Ministry discussing with CME ongoing Considerations • Ongoing outreach with LDCs being undertaken by IESO.	• Report back to TB/MBC on May 9, 2017 • Effective April 2017
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	IESO: • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills).	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	• ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provided FAO staff with a technical briefing on the OFHP • ENERGY provided feedback to FAO regarding its report on GA Refinancing • IESO to offer FAO separate meeting with KPMG (FAO declined)	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • March 31, 2017: Ministry submitted responsive materials • May 24, 2017: FAO report to be provided to MO on Tuesday morning and be released on Wednesday at 9AM
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• IESO is producing a document to respond to AG questions – to be shared with TBS for review

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OEB has been asked by AG for all correspondence between all parties by June 2 • OFA has received similar request • ENERGY has received AG request for contracts and ToR for accounting advice (request to be re-directed to agencies)	
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • Bill inserts will be ready for July 1 with bill redesign to occur in the Fall	• Initial discussion on March 31, 2017

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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From:	Gadi Mayman
To:	Ronald Kwan; Mike Manning; Ken Kandeepan; Carlos Yep
Cc:	Anna Strathy
Subject:	Fw: Rate Mitigation Implementation Meeting - July 27, 2017
Date:	Friday, July 28, 2017 3:22:35 PM
Attachments:	Action Items_July 27.docx

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Friday, July 28, 2017 3:06 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: RE: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Attached are the Action Items from yesterday's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: July 26, 2017 9:22 AM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett
Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – July 27, 2017

1) GA Refinancing
    - o General Update (OPG / IESO)
        - OPG continues to work with the rating agencies. OPG working to finalize this work by end of September
        - OPG, IESO and ENERGY to work through an approach to address interest payments during the moratorium period
        - ENERGY working through the details related to the Minister's Fair Allocation Amount
    - o Draft Provincial Guarantees for Dealers (OFA/OPG)
        - OPG to set up meeting with OFA and IGS to discuss dealers questions on the guarantee
        - OPG would like to settle on an approach to the guarantee by early August to begin the rating process, pending final approval at a later date
            - ENERGY and OFA to bring this forward a proposed approach to CO/PO on August 16, with a TB meeting / approval to follow
    - o Business Item (OPG/IGS)
        - MOF/Tax Policy is working on confort letter regarding PILs for OPG
        - ENERGY legal and OFA legal continues to work on process for the equity injection

2) AG Update
    - TBS advises that AG is tracking for an opinion on Public Accounts (PA) on August 18, which would result in an earliest release by the government of the PA on August 28 (Note: The statutory dealine in September 27)
    - IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG

3) Other OFHP Initiatives
    - o RRRP, OESP and FN (SNAP)
        - Ministry working on post card for FN delivery credit
    - o Affordability Fund (CRED)
        - Stakeholder engagement is underway; preliminary outreach with several LDCs conducted in July and a WebEx meeting to allow for broader outreach to utilities is scheduled for August 1

- Trustees continue to work through program design concepts and details in order to launch the program as soon as possible
- Trustees have agreed to Hydro One's role as administrator

From: Gadi Mayman
To: Ken Kandeepan; Mike Manning; Ronald Kwan
Cc: Anna Strathy; Gavin He
Subject: Fw: Rate Mitigation Implementation Meeting - May 18, 2017
Date: Thursday, May 18, 2017 8:16:02 PM
Attachments: Action Items_May 18.docx

I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.

Gadi

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – May 18

1) GA Refinancing
    - Ministry working on motions which need to be filled a week from today. Draft motions to be shared early next week.
    - Ministry also working on regulations for mid and end of June timelines
    - OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July
        - Documents will include commentary on credit worthiness
        - Potential engagement of Moody's/S&P/DBRS
    - Agencies (OPG/IESO/OEB) to provide critical paths for the next meeting
    - OPG to go to the market in Sept/Oct
    - IESO letter went to OFA to request $2.5B total credit
    - IESO expecting purchase and sale agreement by end of June
    - IESO memo and KPMG accounting opinion has been delivered to Ministry
    - OPG memo and E&Y accounting opinion has been delivered to Ministry
    - IESO is producing a document to respond to AG questions – to be shared with TBS for review
    - IESO to offer FAO separate meeting with KPMG (FAO declined)
    - FAO report to be provided to MO on Tuesday morning and be released on Wednesday at 9AM
    - OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge
    - Indemnities for Boards are tracking forward to be in place when legislation comes into force
    - Guarantees for dealers are still being explored and to be done in conjunction with rating process
        - Time is required to appropriately brief decision makers
        - OPG to provide draft version of Term Sheet to Ministry of Energy

2) Other OFHP Initiatives
    - RRRP, OESP and FN:
        - Ministry working on regulation details
        - OESP regulations will be the focus of the post-July 1 work stream
        - Products for both June 14
        - Ministry working with 5 Chiefs to determine the qualification of FN rebate based on existing processes
        - Ministry working to minimize number of individuals who qualify for credits but don't receive them on July 1
        - OEB calculation needs to be completed 15 business days from Royal Assent
    - Affordability Fund:
        - Waiting for social service agencies to respond
    - ICI:
        - No update

3) A Plan for Monitoring / Oversight
    - Ministry to develop implementation road map to track and ensure alignment of different work streams

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Gavin He; Christina Zhang
Subject:	Fw: Rate Mitigation Implementation Meeting - March 30, 2017
Date:	Wednesday, March 29, 2017 11:13:11 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_March 30.docx Consolidated - OFHP Matrix - March 27 (3).docx

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From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Wednesday, March 29, 2017 5:15 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com
Subject: Rate Mitigation Implementation Meeting - March 30, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
March 30, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) Affordability Fund (CRED)

3) RRRP, OESP and FN (SNAP)
    - Mechanics and timing of moving RRPP from ratebase to taxbase

4) ICI (ESPD)

5) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of March 27, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation: o Defining mitigation and recovery mechanism; and o Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg.429/04) • Shareholder Declaration and Resolution • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market • OPG to embed OFA/Energy (as necessary) in their ongoing	• AG briefing on April 19, 2017 (TBD) • Provide comfort level to allow OEB to include in May 2017 RPP • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution / declaration. OPG to continue to consider requirements for enhanced indemnification for Board member **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes will continue to work through legislative drafting issues • LSB to consider contempt of legislature issue • Legislation to be complete April 17, 2017, first draft to be available for review week of March 27, 2017 <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	

Item	Key Deliverables / Considerations	Timing / Next Steps
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 • Fall 2017 implementation (per Cabinet Minute)
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • Board decision this week on removing OESP from bill as of May 1. <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% +	• Report back to TB/MBC by Spring 2017 • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	new eligibility – Potentially early Spring. • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. Currently engaging OEB. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 17: ENERGY received $100M in CRED's Green Energy Initiatives TP line • March 23 and 24: Trust Deed and TPA executed. Process to transfer funds underway <u>Considerations</u> • Legislative changes not required. • Funding needs to flow to the Trust prior to March 31, 2017.	**April to May 31 2017:** • Advisory Committee recommends Board of Trustees; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust.

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP to consider providing support to CME • ESP to consider implications of dropping below 500kw threshold due to investments in conservation <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 15, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • Report back to TBC/MBC by spring 2017 (per TBC/MBC Minute) • LRC on April 10, 2016 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in spring 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • Ministry preparing responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion on April 19, 2017 (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment	• Initial discussion on March 31, 2017

From:	Gadi Mayman
To:	Ken Kandeepan; Ronald Kwan
Cc:	Christina Zhang; Gavin He
Subject:	Fw: Rate Mitigation Implementation Meeting - March 23, 2017
Date:	Thursday, March 23, 2017 4:58:18 PM
Attachments:	Rate Mitigation Implementation Action Items March 23.docx

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From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Thursday, March 23, 2017 4:39 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Please find attached action items discussed at today's meeting.

From: Katona, Keley (ENERGY)
Sent: March-22-17 2:08 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'catriona.king@opg.com'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Sarah Branco'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Turnevicius, Lorraine'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca
Subject: Rate Mitigation Implementation Meeting - March 23, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

Action Items – March 23rd, 2017

1) GA Refinancing
    - AG briefing on April 19, 2017
    - Legislative Drafting
        - Legislation to be complete by April 17 , drafting instructions are in circulation
        - OPG to undertake modelling on assets / determine whether rating agency risk to proposed structure
        - OPG / IESO to determine who will finance / hold the asset until it goes to the market
    - OPG Update
        - OPG / LSB continue to work on shareholder direction / resolution
        - OPG continues to work on indemnification of Board issue
        - OPG to embed OFA/ENERGY (as necessary) in their ongoing internal discussions
        - OPG, ENERGY and IESO to continue discussions around refining refinancing modelling
    - IESO Update
        - IESO to discuss LDC issues with OEB
        - IESO to work through legislation / accounting opinion
    - OEB Update
        - OEB decision this week on removing OESP from bill as of May 1st
        - OEB to work with ENERGY to finalize RPP comfort letter
2) Affordability Fund
    - No follow ups, except that everything is on track to be finalized for this week
3) RRRP / OESP / FN Rate
    - OESP reg to continue to track to April 10th LRC
    - MOF / OEB / ENE continues to work with CRA on "wet signature"
    - OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation
4) ICI
    - ICI to continue to track to April 10th LRC / materials being finalized
    - TPA being finalized with OCC / discussions ongoing with CME
    - ESP to continue to meet with MEDG / MOECC / MOL on broader issues for business
5) Other items
    - Ministry to begin work on bill presentment / add as agenda item for next week

From:	Gadi Mayman
To:	Ken Kandeepan; Mike Manning; Ronald Kwan
Cc:	Anna Strathy; Gavin He
Subject:	Fw: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Wednesday, May 24, 2017 7:56:43 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_May 25.docx OFHP Work Plan.pptx Fair Hydro Act Motions Consultation (May 24 2017) v3.docx Regulations 17 May 2017.docx

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From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, May 24, 2017 11:02 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 25, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
May 25, 2017

Agenda

1) GA Refinancing
    - Committee process/motions (LSB)
    - Regulation drafting (LSB)
    - Workplan (ENERGY)
    - Updates (OPG/IESO/OEB)
        - Critical Paths
    - Comparison of Clean Energy Adjustment to Debt Retirement Charge (OFA)
    - Guarantees for dealers (OPG/OFA)

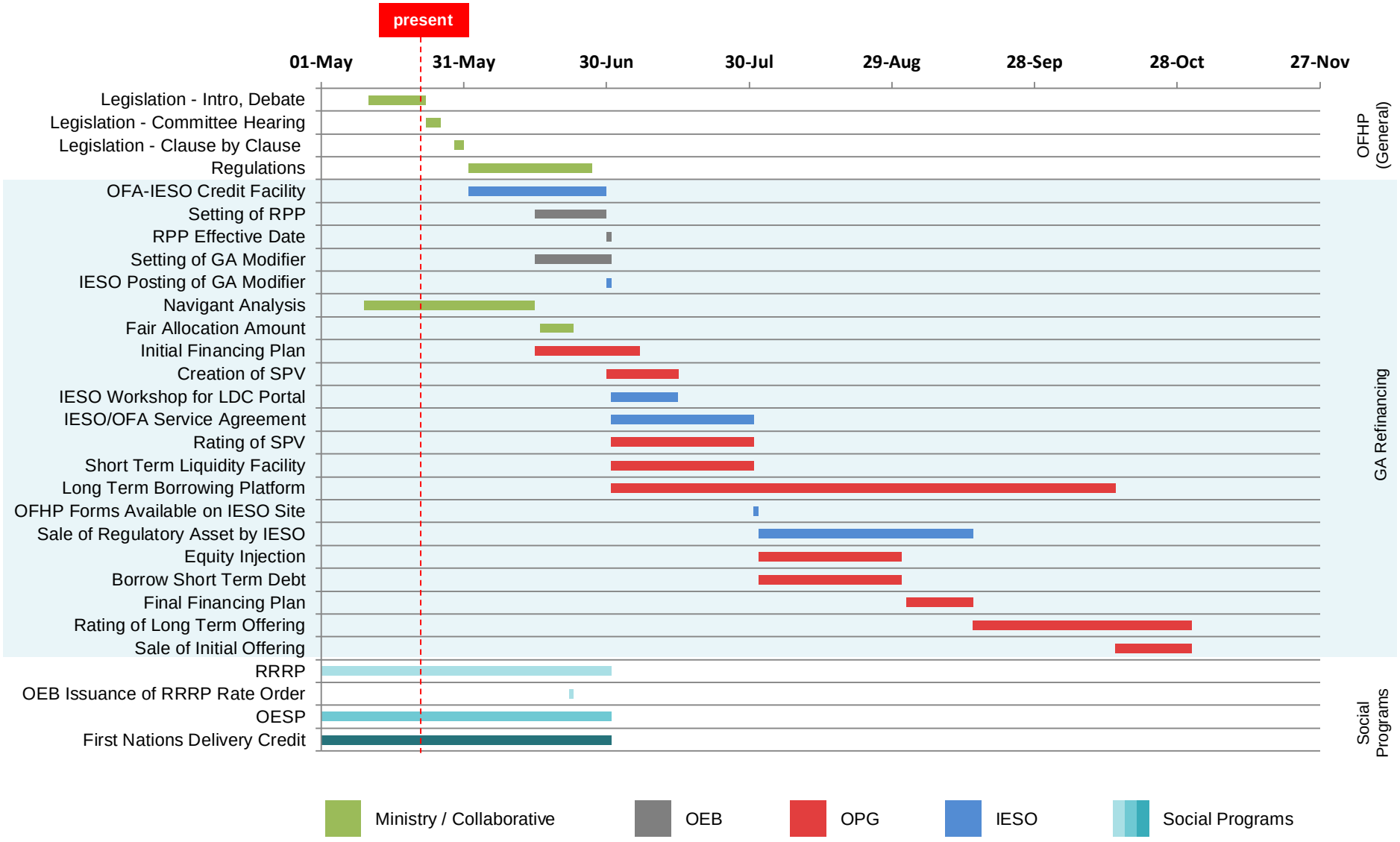
2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Ontario Fair Hydro Plan – Implementation Timeline

May 19, 2017

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

Version 3

This confidential draft document is provided for discussion purposes only. It should not be construed as representing the position adopted by the Government of Ontario on any of the topics included or not included in this document. The notes included in this document are intended only to help facilitate a discussion of the topics to which they relate. Any potential legislation is subject to the approval of the Ontario Legislature.

Proposed Bill 132 Draft Motions

Proposed Draft Government Motions

Proposed Draft Bill 132 Motions

Motion 1

Schedule 1 to the Bill, subsection 1 (1)

The following definition is added:

"readjustment amount" means, in respect of a reference period, the amount payable by specified consumers in respect of that reference period as a result of a determination of the Board under Part II to reduce electricity rates [so that the sum of the amount charged to specified consumers and the finance amount is less than] the fair allocation amount in respect of the reference period; ("French")

Proposed Draft Bill 132 Motions

Motion 2

Schedule 1 to the Bill, section 7

Section 7 would be struck out and the following substituted:

Regulated rate consumers, first adjustments

7. (1) Despite clause 79.16 (1) (b) of the *Ontario Energy Board Act, 1998*, the electricity rates payable by regulated rate consumers for the period beginning on July 1, 2017 and ending on April 30, 2018 are the rates determined by the Board under this section and in accordance with the regulations.

Determination by Board

(2) The rates mentioned in subsection (1) shall be the rates that would result in a hypothetical regulated rate consumer who meets the prescribed criteria being invoiced a total amount, consisting of such types of amounts as may be prescribed, that is 25 per cent less than the total amount, consisting of such types of amounts as may be prescribed, that the consumer would have been invoiced under the comparison rates described in subsection (3).

Comparison rates

(3) The comparison rates are the rates that would have been effective May 1, 2017 if they had been determined by the Board for the consumer mentioned in subsection (2) using the method prescribed by the regulations made under clause 79.16 (1) (b) of the *Ontario Energy Board Act, 1998*, without taking into account any forecasted impact of any other provisions of this Act.

Proposed Draft Bill 132 Motions

Motion 3

Schedule 1 to the Bill, section 8

Section 8 would be struck out and the following substituted:

Other specified consumers, first adjustments

8. For the period beginning on July 1, 2017 and ending on April 30, 2018, the adjustments made under section 25.33 of the *Electricity Act, 1998* shall, with respect to specified consumers who are not regulated rate consumers, be further adjusted by electricity vendors in accordance with the determinations made by the Board in accordance with the regulations.

Proposed Draft Bill 132 Motions

Motion 4

Schedule 1 to the Bill, section 11

Section 11 would be struck out and the following substituted:

Subsequent adjustments

11. (1) Despite clause 79.16 (1) (b) of the *Ontario Energy Board Act, 1998* and subject to subsection (2), the Lieutenant Governor in Council may prescribe methodologies to be applied by the Board after April 30, 2018 for the purpose of determining,

(a) electricity rates for regulated rate consumers; or

(b) further adjustments to be applied by electricity vendors, in accordance with the regulations and in accordance with the Board's determinations, to the adjustments made under section 25.33 of the *Electricity Act, 1998* in respect of specified consumers who are not regulated rate consumers.

Regulations

(2) The Lieutenant Governor in Council shall have regard to the following in making the regulations:

1. The purposes of this Act.

2. The clean energy costs borne by specified consumers over time.

3. Such other matters as may be prescribed.

Same

(3) The regulations may prescribe,

(a) different methodologies for different prescribed classes of specified consumers and in respect of different periods of time; and

(b) different adjustments to be applied in respect of prescribed classes of specified consumers who are not regulated rate consumers and in respect of different periods of time.

Proposed Draft Bill 132 Motions

Motion 5

Schedule 1 to the Bill, subsections 12 (2) and (3)

Subsection 12 (2) would be struck out and the following substituted:

Same

(2) If an invoice for the electricity is issued to the person by the specified consumer or a unit sub-meter provider providing unit sub-metering for the specified consumer, the amounts or rates payable for the electricity by the person who is liable to pay the invoice shall be determined in accordance with the regulations.

Same

(3) The regulations may prescribe different amounts or rates for different prescribed classes of specified consumers.

Proposed Draft Bill 132 Motions

Motion 6

Schedule 1 to the Bill, subsection 13 (2)

Subsection 13 (2) would be struck out and the following substituted:

Same

(2) For greater certainty, subsection (1) applies regardless of whether any estimate, projection or other input used in calculating the clean energy adjustment was erroneous or out of date at the time of the calculation and regardless of whether any of those estimates, projections or other inputs is subsequently amended, updated or corrected.

Confidential – Draft for discussion purposes only

Proposed Draft Bill 132 Motions

Motion 7

Schedule 1 to the Bill, section 18

Section 18 would be struck out and the following substituted:

Appointment

18. Ontario Power Generation Inc. is appointed as the Financial Services Manager for the purposes of this Act, unless it is unable or unwilling to do so, in which case the Minister may appoint a different Financial Services Manager in accordance with the regulations.

Confidential – Draft for discussion purposes only

Proposed Draft Bill 132 Motions

Motion 8

Schedule 1 to the Bill, section 20

Section 20 would be struck out and the following substituted:

Minister to calculate fair allocation amount

20. (1) Before the first funding obligation is incurred, the Minister shall calculate a fair allocation amount in respect of each reference period as follows:

1. Determine, in accordance with the following steps and the regulations and by applying such method as the Minister considers appropriate, the estimated clean energy costs to be allocated to specified consumers in respect of the reference period:

    i. Determine the clean energy costs incurred or expected to be incurred in respect of the reference period.

    ii. Determine the clean energy benefits and allocate that value across the prescribed period and each reference period.

    iii. Allocate clean energy costs in respect of reference periods in proportion to such relative attributions of clean energy benefits determined in subparagraph ii.

2. Subject to subsection (2), determine, in accordance with the regulations and by applying such method as the Minister considers appropriate, the estimated finance amount in respect of the reference period.

3. Determine, in accordance with the regulations and by applying such method as the Minister considers appropriate, the estimated clean energy costs that would have been payable, in the absence of this Act, by specified consumers in respect of the reference period.

4. Determine the amount, if any, by which the sum of the determinations under paragraphs 1 and 2 exceeds the determination under paragraph 3.

5. Calculate the sum of the amount determined under paragraph 4 and such other amounts as may be prescribed in respect of the reference period.

Part II adjustments

(2) If the Board has made a determination under section 9 or 11 in respect of the reference period or in respect of a prior reference period and, as a result of the determination, the prescribed circumstances arise, the Minister shall take the prescribed steps to make the prescribed adjustments to the determination made under paragraph 2 of subsection (1).

Minister's considerations

(3) In calculating a fair allocation amount, the Minister shall have regard to the purposes of this Act and such other matters as may be prescribed.

Minister to report to Financial Services Manager

(4) The Minister shall provide a report setting out the fair allocation amount in respect of each reference period to the Financial Services Manager.

Recalculation

(5) The calculation of a fair allocation amount under this Part may be changed by such person as may be prescribed, subject to the following requirements:

1. The prescribed person shall comply with such requirements as may be prescribed.

2. Subsections (1), (2) and (3) apply to the new calculation, with necessary modifications, as if that person were the Minister.

Same

(5) No change under subsection (5) shall affect any clean energy adjustment that arises as a result of a funding obligation that has been incurred before the change.

Information

(6) The Minister, the IESO, the Financial Services Manager, the Board and electricity vendors shall provide such information as may be prescribed in accordance with the regulations for the purposes of facilitating a change under subsection (5).

Proposed Draft Bill 132 Motions

Motion 9

Schedule 1 to the Bill, subsection 21 (1)

Subsection 21 (1) would be amended by striking out “for the purposes of acquiring and financing an investment asset” and substituting “for the purposes of a financing entity acquiring and financing an investment interest”.

Proposed Draft Bill 132 Motions

Motion 10

Schedule 1 to the Bill, paragraph 1 of subsection 21 (3)

Paragraph 1 of subsection 21 (3) would be amended by striking out "to reflect determinations of the Board under Part II in respect of the reference period" at the end and substituting "by the amount of any readjustment amount in respect of the reference period".

Proposed Draft Bill 132 Motions

Motion 11

Schedule 1 to the Bill, subsection 21 (4)

Subsection 21 (4) would be amended by striking out clauses (a) and (b) and substituting the following:

(a) the amounts are payable in respect of a reference period in respect of which the Board has not made any determinations under Part II that resulted in a readjustment amount; or

(b) if the Board has made a determination under Part II in respect of the reference period that resulted in a readjustment amount, the amounts payable in respect of the clean energy adjustment in respect of the reference period do not exceed the fair allocation amount in respect of the reference period after subtracting the readjustment amount.

Proposed Draft Bill 132 Motions

Motion 12

Schedule 1 to the Bill, subsection 21 (6)

Subsection 21 (6) would be amended by adding "but no such amendment shall affect any clean energy adjustment that has already been determined under section 15 or any funding obligations that have already been incurred before the amendment" at the end.

Proposed Draft Bill 132 Motions

Motion 13

Schedule 1 to the Bill, subsection 22 (3)

Subsection 22 (3) would be amended by striking out "The Financial Services Manager shall not" at the beginning and substituting "Neither the Financial Services Manager nor a financing entity shall".

Proposed Draft Bill 132 Motions

Motion 14

Schedule 1 to the Bill, section 40.1

The following section would be added:

Compliance and restraining orders
Application to court

40.1 (1) On the application of an investment interest owner, the Superior Court of Justice may make an order described in subsection (2) if it is satisfied that an electricity vendor, the IESO or the Financial Services Manager has failed to comply with or contravened this Act or the regulations or that one of those entities will fail to comply with or will contravene this Act or the regulations.

Order

(2) The Superior Court of Justice may, by order,

(a) direct the electricity vendor, the IESO or the Financial Services Manager to comply with this Act or the regulations;

(b) restrain the electricity vendor, the IESO or the Financial Services Manager from contravening this Act or the regulations; or

(c) require compensation to be provided by the electricity vendor, the IESO or the Financial Services Manager to the investment interest owner.

Same

(3) An application under subsection (1) may be made by an investment asset owner in addition to exercising any other right of the investment interest owner.

Proposed Draft Bill 132 Motions

Motion 15

Schedule 1 to the Bill, paragraph 7 of subsection 41 (1)

Paragraph 7 of subsection 41 (1) would be amended by striking out “a breach under section 29” and substituting “the failure of any person or entity to give effect to the rights and interests provided for under section 29”.

May 17, 2017

Regulations – Master List	
Social Programs	
• OESP O. Reg. 314/15 – amendments	June 14
• RRRP expansion to R2	June 14
• Distribution Rate Protection	June 14
• First Nation Rate Distribution	June 14
• Bill Presentment – require bill insert quarterly; prescribed messages; First Nations Delivery credit	June 14
GA Refinancing	
• Part II Reg.	June 14
• General Regulation	June 27
• O. Reg. 429/04 (GAM) – amendments	June 27
• O. Reg. 280/14 (IESO Eligible Borrowing) – amendments	June 27
Other – Bill Presentment	
• O. Reg. 364/16 – repeal in part to remove 8% on bill and on envelope messaging; exempt Hydro One	June 14
• O. Reg. 442/01 – remove RRRP messaging for Hydro One	June 14
• O. Reg. 275/04 – remove DRC message; exempt Hydro One	June 14

From:	Nelms, Scott (MOF)
To:	Gadi Mayman; Ronald Kwan; Mike Manning
Subject:	Fw: Rate Mitigation Implementation
Date:	Friday, March 10, 2017 8:34:56 AM
Attachments:	Summary of Work Plan.docx OFHP Gov and Delievery Structure - March 9.docx Agenda_Weekly Rate Mitig Implmentation Group_March 9cc.docx 2017-03-08 Consolidated - OFHP Matrix - March 9_v2 ksh.docx Moody"s - Securities Backed by Utility Cost Recovery Charges Jun 2015.pdf

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Good Morning,

Please see the following update and attached materials relating to Energy's kick off Fair Hydro Plan implementation discussion.

Scott

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, March 9, 2017 5:23 PM
To: McLean, David (MOF)
Cc: Kennedy, Nancy (MOF); Young, Gwendolynne (MOF)
Subject: RE: Rate Mitigation Implementation

Hi David,

I thought I would share a high level summary of this morning’s discussion.

The meeting started with a conversation around structures and how Energy plans to move all of the elements of the Fair Hydro Plan forward. In essence, these Thursday meetings will become a regular occurrence (next week is scheduled for Wednesday). This will act as a feeder for issue specific working groups in order to have a single window for reporting in on progress and issues that require resolution. See attached “OFHP Gov and Delivery Structure” for details. There will also be regular DM level updates to keep respective Ministries apprised of progress.

GA Smoothing (Blakes Update)

Blakes, who has been engaged by the Ministry of Energy, provided an overview of the Long Island Power Authority securitization structure that has been referenced several times as a model (albeit smaller) for the GA Smoothing mechanism. Here are some high level details:

o Nuclear facility mothballed and facility costs needed to be repaid over time
o In part as a result of this large liability, LIPA's credit rating was weak increasing borrowing costs
o Created framework in legislation, allowed for a financing order every time the separate entity went out for financing (abbreviated hearing to review merits of case)
o Role of Financial Regulator (closer to OSC than OEB):
· Public Authority Control Board
· Abbreviated hearing
· Form over substance, to ensure calculations are correct
· Regulator needed to be sure that issuance designed to receive lower cost borrowing + meet objectives of the legislation
· If stakeholders want to challenge the validity of order, had 30 days to do so and then foreclosed, after 30 days bonds could be issued
o Asset:
· Order and charges irrevocable: right that could not be changed

· True-up mechanism: ability to adjust collections from end users to ensure cover principle and interest
· Ensure consumers cannot bypass system (pay as long as connected to the grid, whether consuming or not)
· Charge not more than 10% of bill
· Set up as a "true sale" - rights around asset protected
o Unique features (would not apply in Canada):
· State pledge: state would not introduce legislation or do anything to affect rights of assets or bondholders
§ Creates a constitutional right, if reversed is a "taking of the government" which results in a particular process
· Bankruptcy: bondholders can make an application to court to direct payment to bondholders
· While these elements cannot be replicated in the same way in Canada, Blakes suggests it will be important to enable similar protections under the Canadian legal framework to the extent possible

Blakes also walked through key elements that the market and rating agencies will seek in order to ensure this is financeable (according to Blakes there will be an expectation that mitigation measures will be in place for each):
· Size and breadth of customer base
· Non-bypassability
· Volatility of policy environment
· For more details, Blakes suggests reading the attached Moody's guide

GA Smoothing (OPG Update)

OPG walked through the attached summary workplan providing an update on key buckets of work including that included a number of touch points with the OFA and MoF focused on process for borrowing and equity infusion both at inception and ongoing approvals. Note that OPG is conceiving of each incremental debt issuance as an amendment to the borrowing agreement rather than as individual tranches in order to avoid differentiation between bondholder priority thereby minimizing long term interest costs. Note that working groups are beginning to meet to think in more detail to think through these issues.

GA Smoothing (IESO Update)

· IESO is thinking through what needs to be in legislation, regulation, market rules and in an agreement with OPG.

· IESO is also working with OPCD and KPMG to finalize its revised financials to incorporate its market books. IESO will file its audited financial statement with the AG in May. Further thought is needed on timing and level of engagement with the AG's office.

· On a related note, the AG has reached out through OPCD for an initial briefing on the Fair Hydro Plan.

GA Smoothing (Legislative Drafting Update)

· Energy legal expects to have first drafts to share shortly for input

· Targeting mid-April for approvals

GA Smoothing (General)

· OEB was also included in the discussion and continues to have concerns about its role in the process. Further consideration is required in the context of accounting and financing imperatives

Other Updates

· Work on the RRRP, OESP and First Nations rate is progressing in parallel. There was some talk of inclusion

of these elements in the Budget Bill, but no certainty on whether that would be possible from a timing perspective.

· The Affordability Fund is moving on a more expedited path. A first draft of the TPA has been shared with Hydro One for review. Hydro One is working to establish the Trust.

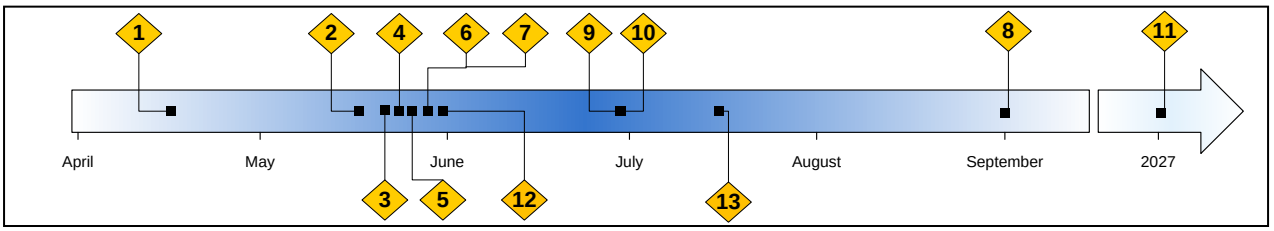
Thanks,
Scott

Summary of Work Plan

Below is an overview of the elements of the draft workplan to set up a trust special purpose financing vehicle (SPV) that would hold the claim on future customers and the debt issued to fund the payment to the IESO in accordance with Ontario's Fair Hydro Plan. All elements of the work plan will consider the key requirements of OPG with respect to elimination or mitigation of risks.

Workplan Overview

The draft workplan below is divided into major components required to set up the trust SPV as part of Ontario's Fair Hydro Plan. Each major component is divided into sub-components that provide further aspects / characteristics / requirements.



[Note deleted #13]

1. Legislative Requirements [Stakeholders: OPG, IESO, OEB, MOE]

a. Characteristics of Regulatory Asset

Key aspects will include collection rights, claim/counterclaim protection, future governmental action protection, saleability into SPV, protection from seller's creditors, OEB regulatory asset recognition, oversight of administration costs and recovery mechanism, and true-up process.

b. *Legislative amendments to implement the structure*

- Provisions in the Electricity Act (and OPG's articles) will be amended/updated to allow flexibility in OPG's corporate structure.
  1. These amendments would be similar in nature to previous amendments made to Hydro One's governing provisions in the Electricity Act.
  2. The amendments would, for example, allow OPG to create and operate through subsidiaries, and also enable OPG to raise financing through public offering of debt. (OPG may need to raise some financing to fund a portion of the subordinated debt going into the trust.)
- The electricity legislation will be amended to implement the deferral and financing of the GA, including amendments:
  1. to reflect that the IESO may defer collection of a portion of the GA;
  2. to create a "regulatory asset" consisting of the right to recover, over time, the amount GA being deferred, together with interest and other financing costs;
  3. to allow the IESO to sell that regulatory asset to a third party (the trust/financing vehicle);
  4. that authorizes the OEB to recognize the regulatory asset (which will likely comprise a deferral account) and allows the owner of the asset to recover the principal amount and financing costs for the GA deferral over time; and
  5. that also provides the OEB with no rights (or very limited rights) to review the terms on which the GA deferral is recovered (i.e. the interest rate, other financing costs and the amortization period). (This is needed to make the GA deferral financeable in the capital markets.)

2. Financing Process [Stakeholders: OPG, IESO]

a. Set up Financing Vehicle

The SPV will be established with a simplified trust indenture to facilitate flexible financing (issue short and long term debt in Canadian and US markets, ability to warehouse, ability to enter into cross currency swaps). The sole purpose of the SPV will be to acquire the

regulatory asset and raise debt. A financial service and management agreement with OPG will also be required.

b. Oversight

Appropriate oversight structure to be established independent of OPG management to review and monitor financing strategies, operating budgets and results of SPV. Reporting and monitoring requirements of Province, IESO and OEB and OPG to be determined.

c. Operations

Processes will be established for deal execution, operating cash management, regulatory reviews and credit rating agency reviews. Agreements will be established to define relationships with IESO (sales & servicing), billing payment and other administrative services, banking arrangements, subordinated debt agreement with OPG.

3. Equity Injection Process [Stakeholders: OPG, Ministry of Energy, Ministry of Finance]

The Province will require Treasury Board approval for periodic appropriations to fund equity injections into OPG. OPG Board approval will be required to issue a specified number of shares that can be periodically issued to the Province. The actual number of shares issued will be based on IESO forecast of funds required.

4. IESO and Trust Operational Process [Stakeholders: OPG, IESO]

Establish processes to facility the SPV's purchase of the IESO's regulatory asset, including timing (notice periods), frequency, fund flows, GA shortfall forecasts and true-up mechanisms.

5. Debt Issuance – General Planning [Stakeholders: OPG, MOF]

Develop debt issuance plan considering need for liquidity/working capital, debt profile (short/long term), debt composition (senior/subordinated), marketing plan (Canada and US), financing amounts and timing, credit rating agency legal opinions and required approvals.

6. Debt Issuance – Subordinated [Stakeholders: OPG]

Establish subordinated debt characteristics (risk, return, cash flows), repayment terms, issue frequency/timing and required approvals.

7. Debt Issuance – Short Term [Stakeholders: OPG]

Ability to aggregate and warehouse using short term CP / ABCP.

8. Debt Issuance – Long Term [Stakeholders: OPG]

Key steps in establishing OPG external long term debt financing include the following:

- Select bank advisor for Canadian market
- Select bank advisor for US market
- Select credit rating agency and establish high investment grade requirements
- Seek credit rating agency legal opinions (identified above in section 5)
- Ongoing financial and legal due diligence
- Credit rating agency presentation and follow-up Q&A
- Obtain preliminary or pre-sale rating
- Develop maturity profile if flexibility available
- Draft and execute offering memorandum, agency agreement and other legal documents
- Prepare marketing materials
- Marketing, road shows, investor one-on-ones
- Investor due diligence and collection of expression of interest
- USD denominated debt - ISDA contracts for swap arrangements and potential collateral requirements

9. **Recovering Interest, Administration and Other Financing Costs from IESO [Stakeholders: OPG, IESO]**

   Establish basis of cost (actual or accrued), documentation requirements, funds flow timing and frequency.

10. **Paying Interest, Administration and Other Financing Costs to Providers [Stakeholders: OPG, IESO]**

    Establish bank accounts, basis of cost (actual or accrued), documentation requirements, funds flow timing and frequency, required approvals and administration agreements (either with trust administrator or OPG).

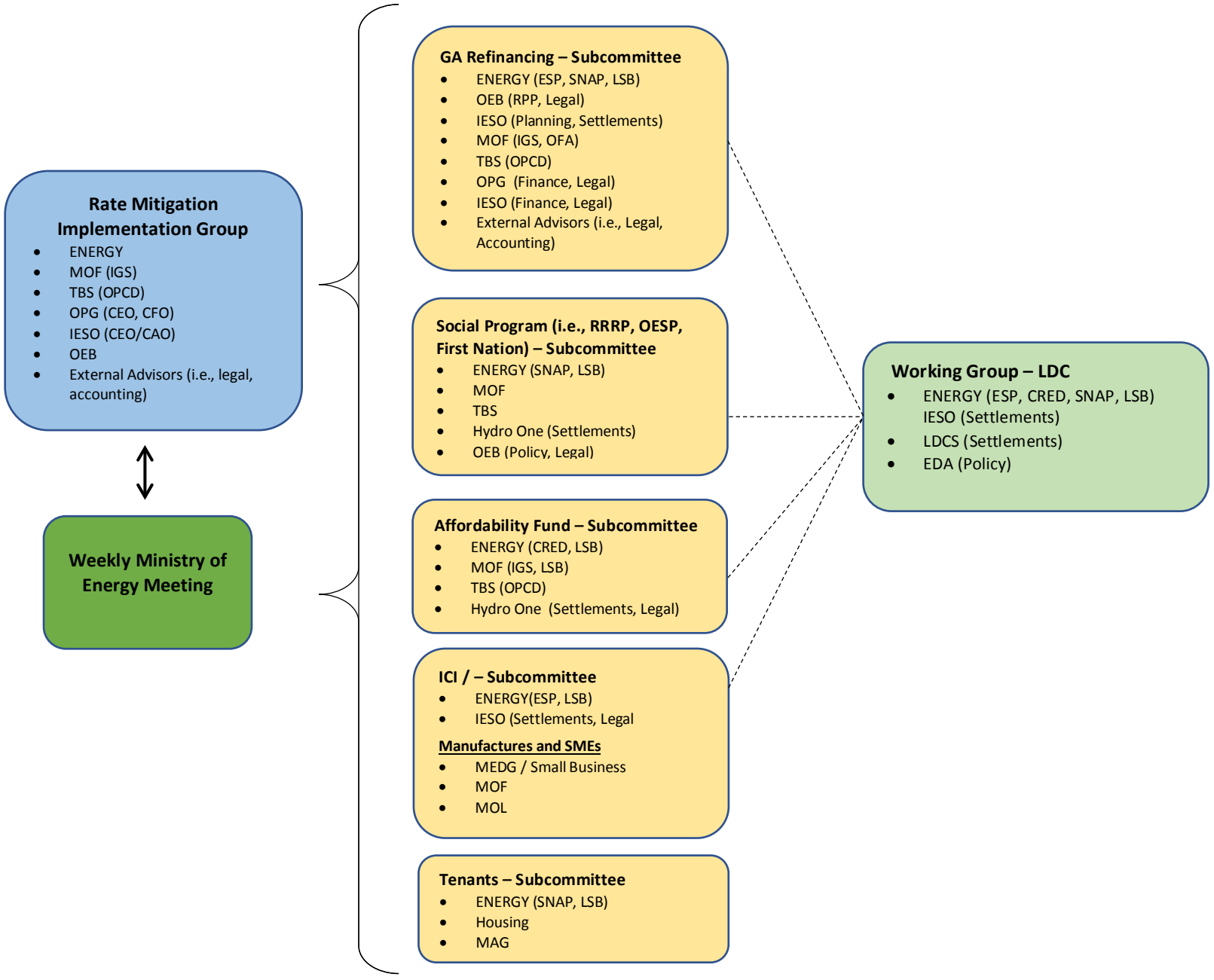
11. **Recovering Principal from IESO [Stakeholders: OPG, IESO]**

    Establish basis of recovery (regulatory asset schedule / actual financing amortization or maturity / other method), documentation requirements, approvals, timing and frequency.

12. **Accounting Requirements and Process [Stakeholders: OPG]**

    Establish overall accounting requirements for trust, regulated asset, consolidation with OPG, operational control of trust and restrictions on regulated asset. See further details in Appendix A – Terms Necessary for OPG to Consolidate the Global Adjustment Trust.

Governance and Delivery Structure for Implementation of Ontario's Fair Hydro Plan



WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
March 9, 2017

Agenda

1) Governance / Delivery Structure – Overview (ESPD)

2) GA Refinancing
    - Overview of US models (Blakes)
    - OPG Update
    - IESO Update
    - Legislative Drafting (LSB)

3) Affordability Fund (CRED)

4) RRRP, OESP and FN (SNAP)

5) ICI (ESPD)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of March 6, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		

• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation:
	  o Defining mitigation and recovery mechanism; and
	  o Establishing roles for IESO, OPG and OEB
	• Regulation (amend O.Reg.429/04)
	• Shareholder Declaration and Resolution
	• Third Party Technical Report re Long Lived Assets (TBD)
	• Accounting opinions from E&Y (OPG) and KPMG (IESO)
	• Financing:
	  o IESO line of credit to bridge from May-July;
	  o OEFC to OPG equity injection structure; and
	  o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc)
	
	<u>Considerations</u>
	• GA refinancing legislation could also include legislative changes to enable broadening of RRRP, expanding of OESP and establishing of FN delivery credit.
	• Ongoing legal, accounting and financing risk assessments.
	• Impact on Electricity Sector Dedicated Income.
	• OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers.
		• Report back to TBC/MBC by spring 2017, prior to going to LRC with any legislation, on the approach to refinance GA (per TBC/MBC Minute)
		
		• Report to TBC/MBC, LRC and Cabinet in spring 2017 (per Cabinet Minute)
		
		• Provide comfort level to allow OEB to include in May 2017 RPP
		
		• Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure	• Report back to TB/MBC by Spring 2017 • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
	in place to provide to existing consumers in Algoma and Remotes. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB and OEB	• Legislation • Regulation (TBD) <u>Considerations</u> • Reach out to OEB to consider whether surplus funding of ~$100M could be used to increase OESP credits by 50%. Regulation can be updated quickly (need to consider whether posting on EBR is required). • Consider whether revised directive needed to continue having OEB administer program. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC by Spring 2017 • Program in place in 2017 (per Cabinet Minute)
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13M to $20M • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, TBS, MOF and H1	• TBC/MBC Submission • Trust Structure • Transfer Payment Agreement (multi-party) <u>Considerations</u> • Legislative changes not required. • Funding needs to flow to the Trust prior to March 31, 2017.	**Week of March 6, 2017:** • TBC/MBC approval (March 6th) • CAB approval (March 8th) • Follow up calls with several LDCs and EDA to provide updates and outline proposed principles for the Fund (Ongoing engagement with Hydro One, LSB, OPCD, CSD on principles and establishment of Trust and development of Transfer Payment Agreement (TPA) (including sharing of drafts for comment); **Week of March 13, 2017:** • Hydro One to finalize establishment of Trust by March 17th • Continue development of TPA, including circulating near to final version by March 17th **Week of March 20, 2017:** • Execute TPA between the Ministry and the Trust by March 22nd • Initiate process to flow funds to the Trust; to be completed before March 31st

Item	Key Deliverables / Considerations	Timing / Next Steps
		April to May 2017: • Additional trustees to be appointment; Trust develops further details, e.g. customer eligibility criteria and processes for LDCs to apply for funds; to be developed in consultation with LDCs **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date to impact electricity bills this year (May 15, 2017). • RR posting is typically a minimum of 45-days for all regulatory changes affecting business to allow for review/comment. **Note:** RR posting is not a legal requirement but a best practice. • Working with the Ontario Chamber of Commerce on a targeted outreach campaign.	• RR posting on the proposed amendment • Report back to TBC/MBC by spring 2017 (per TBC/MBC Minute) • LRC [DATE] • Effective May 2017 (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • Opportunity to highlight Market Renewal in the next LTEP. • IESO's stakeholder engagements on Market Renewal is ongoing. • Moving away from a two schedule system could impact consumer prices depending on implementation. • Most of the savings accrue from the move to a capacity auction. These savings do not materialize until the province has capacity requirements.	• Continue this work as part of LTEP
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in spring 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March
11) FAO Engagement		
• ENERGY, MOF/OFA, FAO	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion.

MOODY'S
INVESTORS SERVICE

RATING METHODOLOGY

Moody's Global Approach to Rating Securities Backed by Utility Cost Recovery Charges

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» contacts continued on the last page

1. Scope

This methodology describes our global approach to rating securities backed by utility cost recovery charges ("UCRC" bonds) that are established by special legislation and financing orders issued by utility regulatory bodies. The charges backing UCRC bonds rated by us have been established by state legislation and state utility regulatory bodies in the United States. For UCRC bonds backed by charges authorized by other jurisdictions, we will analyze the specifics of the securitization's legal framework and regulations – and their implications for the quality of the protections afforded to investors – within the general methodology described in this report.

Examples of cost recovery charges include those imposed to cover certain costs of utility companies that had been incurred in a regulated environment but could no longer be recovered because of a change to a more competitive regulatory regime (i.e., charges sometimes referred to as "stranded utility charges") and those imposed to pay for environmental cleanups, clean energy or for the replenishment of reserves established for repair of facilities damaged by natural calamities, such as hurricanes or tornados.

2. Executive Summary

A utility cost recovery charge bond is a bond typically issued by a special purpose entity of a utility, or by a special borrowing conduit, to recover specified costs as authorized by special legislation and a specific financing order issued by a public service utility regulatory body. The bonds are backed by a property right created by the legislation, which provides the right to impose and collect special charges on customers' monthly electric bills.

This credit rating methodology was republished on June 22, 2015 containing an updated monitoring section and minor other editorial updates in the body of the text and in certain footnotes. The content of this Credit Rating Methodology has not been changed.

The credit quality of the bonds depends on the legal strength of the property right, which in turn depends on the specifics of the related legislation and financing order, and on the size and economic strength and stability of the ratepayer base against which the costs will be imposed. Therefore, our credit analysis of cost recovery charge securitizations focuses on both legal and economic factors that can influence whether investors in UCRC bonds will be paid as promised.

On the legal side, we assess the extent to which the legislation that authorizes the cost recovery charges[1] provides clear procedures for insulating the transaction from claims by other parties and is likely to be able to withstand challenges to rescind or alter the legislation prior to the legal final maturity of the securities. Consequently, our analysis focuses on the extent to which the legislation clearly defines (1) a property that entitles the owner of such property – the utility, or, in some cases, a public trust or corporation – the right to charge the fee throughout the life of the security in an amount sufficient to make full and timely repayment of principal and interest on the security, (2) the process the owner of the property must follow to charge the fee, (3) the irrevocable right of the owner of the property to transfer the fee to a special purpose financing vehicle for securitization purposes, (4) the type of financing vehicle authorized to issue securities backed by the fees, and (5) the process to be followed such that the transfer would be viewed as a "true sale" of the rights to the cash flows rather than a pledge of collateral for a financing for transactions that involve the transfer of the property from the utility to the issuer. A true sale would insulate the securitization from a bankruptcy of the utility, protecting securitization investors from potential claims on the cash flows by the utility's creditors. In addition, we assess whether the legislation has a government pledge not to impair the utility's right to collect the charges and the consequences if the government nevertheless does attempt to impair the right.

We also examine the likelihood that other potential claimants, such as other creditors of the financing vehicle if it were to become bankrupt or investors in other securities that have been issued by the utility, might make a successful claim on the cash flows of the securitization. Furthermore, we consider the breadth of the market to whom the charge will be applied and the extent to which the charge might be "bypassable," that is, the extent to which current or future customers might be categorized as outside the scope of the applicability of the charge.

Our assessment of the overall legal strength of the property right involves qualitative and judgmental factors. Transactions that are strong with respect to each of such characteristics may achieve the highest rating while the impact of weakening any of the attributes would be evaluated on a case-by-case basis.

On the economic side, our analysis focuses on the likelihood that the charges established by the legislation and accompanying regulations will be sufficient to repay the securitization bonds and on whether the charges might become onerous enough to cause pressure to rescind or alter the charges through future legislative or legal actions. As part of that assessment, we evaluate (1) possible changes in the size and composition of the customer base against whom the fee is to be charged, incorporating an evaluation of the breadth and diversity of the customer base, (2) the likely per capita energy usage (in those cases in which the fee charged is based on the usage amount), and (3) the fee rate, including any mechanism built in by the legislation that enables the fee to be reset over time to offset shortfalls that might develop over the life of the securitization (i.e., the transaction's "true up" mechanism). Generally the true-up mechanism is in effect the most important credit protection for UCRC transactions, limiting the risk that the cost recovery charges will be insufficient to pay off the bonds, thereby limiting the need for traditional sources of credit enhancement such as subordination and reserve funds.[2]

In analyzing a transaction's true-up mechanism, we examine how high rates would need to be set under "stressful" future scenarios to fully pay off the bonds, to assess the risk that onerous future rates might cause pressure to overturn or change the legislation and/or regulations establishing the charges. The variables that we typically "stress" test for UCRC bonds are the base against which the charge is to be

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

[1] Throughout this report we use the terms "cost recovery charges" and "cost recovery fees" interchangeably.

[2] The true-up mechanism also limits the need to analyze the underwriting of the customer base, since the mechanism adjusts for all shortfalls, including those caused by customer defaults.

applied (usually energy usage) and the servicing fee. To obtain a high rating, we would expect that even in a stressful environment, such as one in which energy usage declined dramatically, the charge per customer necessary to pay off the bonds would be reasonably low both in absolute terms and as a percentage of the customer's energy bill. The specific stresses that we place on the variables are issuer-specific and are determined on a case-by-case basis.

In addition, we analyze the implications of other structural features of the securitization that could affect the risk of investor loss. For example, we examine the risk implications of how the cash flows are allocated among the various classes of investors and the other participants in the transaction, and the extent to which any other sources of funds are likely to be sufficient to offset any remaining shortfalls to investors, whether the shortfalls are temporary ("liquidity") or permanent ("credit enhancement").

3. Analyzing the Risk Factors

Because of the unique characteristics of this highly regulated asset class, our credit analysis of UCRC securitizations focuses primarily on the legislation and the true-up mechanism. The degree of certainty that the fees generated through the legislation will be sufficient to pay off the securitizations in full is a complementary aspect of the analysis. .

Depending on the risks and mitigants in the relevant jurisdiction, transaction ratings will typically be positioned between the government rating and the country ceiling. Risks that could lead us to determine transaction ratings to be lower than the country ceiling include, for example, continued high levels of debt burden in a utility system. Such high levels of debt, if deemed unsustainable in the long term, may lead to political pressure to adjust the regulatory framework around the system deficit, with some potential negative impact on the related securitization transactions.

In the following sections, we describe the factors that typically lead to a high degree of certainty and thus high ratings on the bonds.

3.1 Protection against Future Impairment of the Right to Collect the Charges

Utility cost recovery charges are established by special legislation that authorizes the creation of a property right to collect future surcharges on customers' monthly electricity bills as the means to pay back the UCRC bonds. Consequently, we analyze the extent to which investors are protected against the enactment of future legislative changes that would weaken that right. For example, investor risk would be mitigated in a situation in which (1) the legislation contained a pledge by the jurisdiction not to impair the right to collect the special charges until the maturity of the bonds and (2) violation of that pledge would be a violation of law [3].

3.2 Irrevocability of the Financing Order

The legislation is typically accompanied by a financing order issued by the public service commission that authorizes the utilities to impose and collect the surcharges on the customer's monthly electric bill during the term of the bonds. Our analysis assesses whether the financing order is irrevocable, which would protect investors against future adverse changes that may reduce the charges backing the bonds.

3.3 Sufficiency of the Charges and the True-Up Mechanism

The charges are usually assessed as an amount linked to a customer's energy usage. Our analysis considers whether the financing order places any limits on charges – e.g., caps on the levels of charges or limits on the length of time that the charges can be imposed – that might cause the collections to be insufficient to provide for timely payment of the principal and interest on the UCRC bonds. In addition, we analyze whether the period over which the charges are allowed to be levied provides sufficient cushion to pay off the bonds by maturity in the event that collections come in more slowly than originally projected.

[3] Violation of the non-impairment pledge would be a violation of the Contract Clause and the Takings Clause under the Federal and State constitutions.

As part of that analysis, we evaluate the power of any true-up mechanism that is provided for in the legislation and detailed in the financing order to correct for shortfalls that may develop over the life of the securities. A true-up mechanism typically adjusts future fee rates on a scheduled periodic basis (e.g., semiannually or annually) to correct for any under- (or over-) collections in a preceding period and to ensure the full and timely payment of future scheduled debt service, based on updated usage forecasts. The greater the frequency with which the true-up adjustments are made, the less likely that investors will suffer a shortfall at the final maturity date.[4]

That is particularly important as the security approaches the final maturity date; frequent rate adjustments based on then-current projections mitigate the risk that actual collections will deviate substantially from those projections, limiting the possibility of shortfalls at the final maturity date. Consequently, our analysis assesses the conditions under which more frequent true-ups are allowed, especially near the final maturity.[5]

3.4 Non-Bypassability of the Charges

We evaluate whether the charges are "non-bypassable," that is, whether the charges must be collected from all existing and future customers of the utility or its successors or assignees within the utility's service territory, and whether the financing order provides that a severance fee be charged to customers who switch to other service providers within the territory during the life of the bonds. We evaluate any exceptions to the non-bypassabilty rule, and consider the materiality of those exemptions to the cash collections. Charges that cannot be bypassed (i.e., those that cannot be avoided by the customers in the utility's service area) ensure a continuing payer base for the charges, leading to less risk for investors. As described in the Structural Features section (Section 3.8), the power of the true-up mechanism to protect investors is dependent on the non-bypassability of the charges. As a result, non-bypassability (with limited, immaterial exemptions) has been a key factor behind the high ratings that are typically assigned to these transactions, without the need for considerable protection from traditional types of credit protection, such as reserve accounts or subordination.

3.5 Bankruptcy of the Utility

For structures in which the initial owner of the property is a utility, a bankruptcy of the utility could expose securitization investors to the risk that other creditors of the utility might make a claim on the cost recovery charges or that payments to securitization investors might be delayed as a result of an imposition of an automatic stay on payments from the utility company.[6,7] However, that risk would be limited if it were clear that a bankruptcy court would view the transfer of the rights to the charges as a "true sale" of those rights, rather than as a financing of the company. As a result, we analyze whether the legislation clearly establishes the utility's right to receive and transfer the rights to the charges and provides unambiguous procedures for transferring those rights to the financing vehicle as a true sale, and whether those procedures are followed in the financing order.

In cases where the utility is the servicer of the transaction, we analyze whether a bankruptcy of the utility could lead to a disruption in servicing, e.g., billing and collecting. However, given the essential service provided by the utility, we expect that government authorities would intervene to prevent any disruption in servicing that might result from a bankruptcy. As a result, where the servicer is a regulated utility, we view operational risk as low. Consequently, we typically would consider a transaction to be consistent with a Aaa rating even if the servicer were not investment grade, as long as the transaction were structured with some mitigants for operational risk, such as the inclusion of a backup servicer and/or provision for additional liquidity.[8]

[4] Generally, the charges collected rank senior to other charges of a utility system and represent only a small amount of the total revenues of such system .
[5] Transactions typically allow for more frequent true-ups during the "tail period" between the transaction's stated "expected" maturity (determined by the sponsor) and the "legal" final maturity. The legal final maturity is the important date from our rating perspective, the date by which all principal must be repaid.
[6] In some transactions, the property is created by law for the benefit of a public trust or corporation that also is created by the same law. In such cases, the true sale risk would be non-existent as there is no sale or transfer of the property.
[7] For a discussion of how Moody's analyzes legal risks in structured finance transactions, see Moody's Related Research section at the end of this report.
[8] The rating standard for a backup servicer likely would be lower than investment grade, but would depend on the specific facts and circumstances of the transaction and servicer.

In addition, we analyze whether the bankruptcy of the utility could cause a disruption in the remittance of payments by the utility to bondholders. Such a disruption could occur if the remittances of the charges were "commingled" with the other funds of the utility and the bankruptcy court ordered a halt to payments until proper ownership of the funds could be sorted out. Our analysis includes an assessment of the ways in which the utility separates the cost recovery charges received from its other funds and the frequency with which it transfers the funds to the trust.

3.6 Bankruptcy of the Financing Vehicle

Another potential risk to investors in UCRC securitizations is a bankruptcy of the financing vehicle. That could expose investors to the risk that other creditors of the vehicle might make a claim on the cost recovery charges or that payments to investors might be delayed by the imposition of an automatic stay. Consequently, we analyze (1) the likelihood that a third-party creditor would be able to successfully petition the owner of the assets (i.e., the financing vehicle) into an involuntary bankruptcy proceeding or (2) the likelihood that the owner of the assets would voluntarily seek the protection of the bankruptcy courts.

To analyze the likelihood of an involuntary bankruptcy, we assess the characteristics that would mitigate that risk, such as if the financing vehicle had (1) no assets other than the right to the cost recovery charges, (2) no indebtedness other that the securitization debt, (3) limited activities that could give rise to contractual or other liabilities, and (4) agreements with the sponsor and other contracting parties not to petition for the dissolution, liquidation or bankruptcy of the securitization vehicle. Similarly, factors that would mitigate the risk of a voluntary bankruptcy would include (1) charter documents of the owner of the assets that require directors who are independent of the utility and (2) a unanimous vote of directors as a condition to filing a voluntary bankruptcy.

3.7 Economic Factors

Even if the financing order is irrevocable, the charges or the law that authorizes them could be subject to challenge in the courts or to future political pressure to rescind or change them through legislation. That is more likely the higher the charges, i.e., the more the economic incentive for a challenge or in circumstances where the financial imbalances in a utility system increase. Consequently, our economic analysis focuses on the size of the cost recovery charge, both in absolute terms and as a percentage of the customer's energy bill. Typically the percentage of a residential customer's monthly bill devoted to the cost recovery charge is less than 10%.

We typically also look at stressful collection scenarios. For example, in one scenario, we assume (1) that energy usage falls short of the utility's projections[9] by a progressively increasing amount each year (typically 5% per year), (2) that forecasted collections in peak usage months do not materialize (for example, 100% of the collections in the peak month and 50% of the collections in the second highest-usage month), and (3) that the servicing fee is considerably higher than the current, "normal," servicing fee, representing the fee that would be required if the original servicer needed to be replaced in a stressful environment. In another scenario, we typically assume that energy usage is lower than projected by a set amount throughout the life of the securitization (typically 25%). For highly rated transactions, we would expect that the cost recovery charge would remain relatively low even in those highly stressful scenarios.

While the specific stresses that we place on the variables have been quite similar to date, this reflects the fact that all rated transactions to date have involved requests for the highest ratings and been supported by highly diverse, broad-based service areas. However, in general, stresses are issuer-specific and are determined on a case-by-case basis. One of the factors that we use to determine the appropriate stress level for a transaction is the variability of the base against which the charge is applied, for example, the population in the service area or the energy usage in the service area. Customer bases that are less broad-based and diversified tend to be more variable; as a result, we would apply more severe stresses in those situations.

[9] We typically assess the reasonableness of the utility's projections by analyzing (1) the historical energy usage in the utility's service region and the variances between past projections and actual outcomes, and (2) the likely growth in electricity usage in the service area of the utility, taking into account the projected economic growth in the region and the possible competitive impact of technological advances, such as those in the development of solar energy.

In particular, we evaluate the economic diversity of the utility's service region to assess the potential variability in its economic health, which tends to drive changes in population and energy usage. An area that relies on multiple industries for economic growth will likely have a more stable business climate than an area that is dependent on the fortunes of one industry. In the latter case, the area's prospects will falter if that particular industry runs into hard times.

We also consider the mix in the customer base among residential, commercial, and industrial users. A utility with a large residential base relative to commercial and industrial users will tend to have less volatility in energy consumption, since energy consumption by commercial and industrial operations is more closely tied to the business cycle. Furthermore, residential customers are less likely to quickly embrace new energy production technologies and are less likely to cut back energy consumption dramatically if the price of energy were to rise. The higher variability of a commercial and industrial base can be exacerbated further if the service area's customer usage is concentrated in a few large commercial or industrial operations, which could make the overall energy consumption vulnerable if those entities were to decline or leave the area.

3.8 Structural Features

The key structural feature of UCRC transactions is the true-up mechanism. Our rating is highly dependent on the extent to which the mechanism adjusts the charges to correct for past shortfalls or forecasted future shortfalls. The effectiveness of those rate changes in raising funds depends, in turn, on how easily customers can escape the charges and how sensitive electricity usage is to increases in the utility charges. Therefore, our analysis of the true-up mechanism goes together with our analysis of how bypassable the cost recovery charges are and how easily customers can cut back on electricity usage (through alternative sources of energy or conservation). To be consistent with a particular rating, a strong true-up mechanism combined with non-bypassable charges mitigates the need for credit enhancement in the form of alternative sources of funds.

In addition, our analysis of the credit risk of a UCRC transaction incorporates our assessment of the implications of the transaction's cash flow allocation structure (sometimes referred to as the cash flow "waterfall"). In particular, we focus on the seniority of principal and interest payments to the bond's investors *vis-à-vis* payments to other participants. In addition, we analyze the extent to which the transaction has an alternative source of liquidity to pay principal and interest in the event that there is a temporary interruption in the flow of the cost recovery charges. For example, in many transactions there is a capital or reserve account with funds sufficient to pay interest for at least 1-2 months, if needed. Furthermore, we assess the extent to which the credit enhancement that is available in the transaction is likely to be sufficient to offset any shortfalls that might develop in the period between the final true-up adjustment and the maturity of the bonds.

4. Monitoring

In monitoring UCRC transactions, we apply the key components of this methodology. More specifically, we analyze, whether bond balances are in line with the scheduled principal amortization, which indicates the extent to which payments have been in line with our original expectations.

We review the periodic information received and look at whether there has been a draw on the reserve accounts. This data point provides further clues as to the steadiness of the cash flows and accuracy of true-up adjustments.

In addition, we analyze the factors that determine the future strength of the transaction. For example, we monitor any legal or political developments that could indicate an increased risk of changes in the legislation that could impair future cash flows to the transactions. Such risk may materialise, for example, in case of continued high financial imbalances in the system that may lead the system deficit to be viewed as unsustainable over the long-term.

Depending on the jurisdiction, we also follow the rating of the utility as a proxy to assess any changes to the economic health of the service region and the potential for changes in the size and composition of the ratepayer base. Furthermore, we monitor the rating of the utility collecting the charges (as an indicator of its financial condition) to track the risk, typically quite small, that a bankruptcy could lead to disruption in billing and collections and in the remittance of payments to the bondholders.

In other instances, we may be more concerned with the behavior of the regulator of the utility system and less with individual utility companies. This could lead to a lower rating in the space between the local currency ceiling and the sovereign rating or the utility rating.

Thus changes on our expectations and other analytical components could have an impact on the rating of the securities and may result in a reassessment of the rating.

Moody's Related Research

The credit ratings assigned in this sector are primarily determined by this credit rating methodology. Certain broad methodological considerations (described in one or more secondary or cross-sector credit rating methodologies) may also be relevant to the determination of credit ratings of issuers and instruments in this sector. Potentially related secondary and cross-sector credit rating methodologies can be found here.

For data summarizing the historical robustness and predictive power of credit ratings assigned using this credit rating methodology, see link.

Please refer to Moody's Rating Symbols and Definitions, which is available here, for further information.

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To:	Ronald Kwan
Subject:	Fwd: CEFD and MO | Bi-Weekly - draft Agenda
Date:	Saturday, May 13, 2017 11:10:26 AM
Attachments:	Annotated Agenda MO May 15 2017_Markup2.docx ATT00001.htm

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Hi Ron,

EFB/CFB are fine with your edits. Please see attached SPFB's edits for your review.

Thanks,
Deena

Begin forwarded message:

> **From:** Deena Padamadan <Deena.Padamadan@ofina.on.ca>
> **Date:** May 12, 2017 at 5:38:10 PM EDT
> **To:** Mara Bakic <Mara.Bakic@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
> **Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda**
>
> Hi Mara & John,
>
> Please see attached Ron's edits for your review.
>
> Thanks,
> Deena

ADVICE FOR CLIENTS
DRAFT AS OF: May 15, 2017

EXECUTIVE SUMMARY

1. Green-to-Sell Hyatt-eFleet – Equity Injection

Staff from ECFE, OFA, capital markets, Advisory, eIT Finance, and OPC-3 continue to discuss the mechanics behind an equity injection between the Finstress and OPC-4 as a means to fund the Hyatt-eFleet deal.

- The ECFE and FACI staff are working to establish briefly and views required on the Hyatt-eFleet deal, including the mechanics of the proposed equity injection (equity structure (part or more class of shares) looking to be the most below).

2. ACLU Credit Facility – DIP Snapshot note

- ACLU raised the potential requirements for financing the Tier-Hydro forecast milestones.

- [redacted] Staff responding to [redacted] ACLU [redacted] [redacted] [redacted]

Treasury Board/FASTER payments

- On April 26, 2021 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OETC to recover connection payments to leaseholders that were made in error between December 2019 and March 2021. The Minister of Finance has not yet responded to this letter, which is consistent with the remedial route advised by the Regulated Fund Peer Advisory consortium.
- A response letter has been drafted for the Minister of Finance's signature that will be sent to the Minister of Energy's chief of staff today, and as an addendum for OETC to review and provide input to tomorrow.
- At this point, for the recovery of retroactive payments to applicant NUCs (who were not aware that they were receiving payments in error), OETC is of the view that requesting that recovery of the retroactive payments occur over time (some months or years) is the most appropriate approach. Finance, staff for the OETC ab consult with the Minister's Office on this request.

OTHER ISSUES

College Class Exemption Regulation

- Expanding request from MoESD Minister to Ministers of Finance for limited college class exemption regulation to include Private Career Colleges.
- For the time being it is assumed that colleges are not going to be exempted entirely from the provincial sales tax (PST) on tuition fees, but rather that they will be required to collect the PST and remit it to the Province. Colleges would, however, be entitled to claim a rebate of the PST paid on purchases made by the college.

Ontario Connection Card (OCC) Loan

- OCC has recently notified the CCPL of a material adverse change pursuant to their Credit Agreement with the CCPL dated December 31, 2012 (the "CCPL Agreement").
- Under the CCPL Agreement the OCC must maintain a [redacted] [redacted] [redacted]

From:	Gavin He
To:	Ronald Kwan
Cc:	Emily Kerr
Subject:	Fwd: CEFD and MO | Bi-Weekly
Date:	Wednesday, April 19, 2017 10:01:47 AM
Attachments:	Annotated Agenda MO April 18 2017_CEFD_v2_Markup.docx ATT00001.htm

---

Hi Ron,

Please find attached the updated agenda for your review.

Thanks,
Gavin He

Begin forwarded message:

> **From:** Emily Kerr <Emily.Kerr@ofina.on.ca>
> **Date:** April 19, 2017 at 10:00:01 EDT
> **To:** Gavin He <Gavin.He@ofina.on.ca>
> **Subject: RE: CEFD and MO | Bi-Weekly**
>
> Hi Gavin,
>
> An update MO bi-weekly is attached.
>
> Emily
>
> ---
>
> **From:** Gavin He
> **Sent:** Tuesday, April 18, 2017 8:00 PM
> **To:** Emily Kerr
> **Subject:** Fwd: CEFD and MO | Bi-Weekly
>
> Hi Emily,
>
> Please see below query from Ron. Could you please update?
>
> Thanks,
> Gavin He
>
> Begin forwarded message:

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Date: April 18, 2017 at 19:47:42 EDT
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Gavin,

A few suggested edits. And could you ask SPFB to add a very short, early heads up on the ALGP proposal for the NW transmission project to connect remotes.

Thanks,
Ron

From: Gavin He
Sent: April-18-17 6:40 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Please find attached the updated agenda for your review. I have accepted all your previous edits.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Tuesday, April 18, 2017 4:50 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Gavin,

See attached.

Ron

From: Gavin He
Sent: April-17-17 20:24
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Please find attached the draft agenda for your review.

Please let me know if you have any questions.

Regards,
Gavin He

-----Original Appointment-----
From: Gavin He
Sent: Saturday, April 15, 2017 11:27 AM
To: Gavin He; Ronald Kwan; Marianne Nguyen (MCYS); Lesau, Victoria (MOF); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); 'Maimona, Mashoka (MOF)'
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, April 18, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Regards,
Gavin He

ANNOTATED AGENDA
RFO APRIL 20 - 21 of 3-29, 2017

Public Meeting To assist CAP Team in Note Taking and Debate

A. Orders to Take Myrtle off Fuse - (Legality Objection)

- Motion to Dismiss Petition for Writ of Mandate, Prohibition, and Equitable Relief filed by the Public Utilities Commission, Public Advocate's Office of California and CPL to support the Orders Fail myrtle Fuse.
- Petition for Writ of Mandate according to establish clarity amid relapse reopened on the Provincial approvals for the equity objection.

B. IESO Credit Facility – BETM for Market

- IESO revised the potential requirements for financing the Pyh Hydro forecast as follows:
  - Susceptibility seek, valued of the IESO relying on the existing BETM credit facility (modified by the OEB to provide interim-term financing until the OPA CRV purchase the IESO regulatory asset).
  - Secondly, the IESO would utilize the credit facility to provide liquidity into the electricity market to support various initiatives including the Progressed Proof has Demand Response Auction (DRA) and the Capacity Auction (CA) and Capacity Equipped Program (CAP-DT) Two services connected when programs and auctions are ready.
  - The BETM facility was not intended to provide long-term financing.
- IESO required longer-term financing, additional due diligence and considerations around the process, accounting treatments, and appropriate paperwork would be required.
  - OE IC, or OPA, could provide [illegible] managing the Province's [illegible] outstanding stock of long-term debt, which would be [illegible] outstanding long or long-term, financing would potentially require government policy approval [illegible] Ontario Regulation.
- Hydro One Networks Inc. (Hydro One) on June 23, 2016, challenges the ruling approved because the OEB and IESO had the ruling of 2000 that they had the authorities of 30 to 45 days, to eventually providing short-term liquidity for the IESO.

D. Arden-Gile Insurance Claim

- Arden-Gile Community Development Corporation (Ardenville), at holder of a guarantee under the Designs of Hard Guarantee (Triggers), has settled on the arbitration claim against the Province of Ontario (Province) for $ 1.2 billion in damages.
- The Project experienced a prolonged equipment failure from July 23, 2005 to December 5, 2005, with no electricity generation during this time (138 days).

- Arkwrite accepted a settlement of €827,439.74 into a ESCW, declinable or a net amount of €827,439.74, without reading the consent of the Fiancina.
- Interest payments ceased (via vacancies from the business interrupting to be drawn from the ESCW), while its not recommenced in the amount once that the Sovereign settled the claim.
- Kraft, on learning of the settlement, responding via email providing a gentle warning about the missed obligation under the guarantee.

4. AGEP, Cranfirpalis

- Coal Products Fuels Corporation (“CDF”), wholly owned by Clarkton Tungsten & Iodine (“CTI”), had been provided a fourth guarantee under the AGP Act per SE, as amended by the Amendment Act.
  - The guaranteed loan allowed CDF to finance its investment in a partnership, which was to be established with Ironbridge Steel Holdings Ltd (“ISH”) and Northern Alloy Stadion, at a lower interest rate than the alternative (a loan from its parties).
  - The standby commitment was at the end of March and origin of the execution of the Amendment Act on 14 April 2026.
  - AGP Legal Intel Minister Tumelaki “signatures in escrow until the conditions precedent are satisfied.
  - The commitment expired from April. All we think the borrower could meet its equity commitment, therefore.
- ~~[illegible]~~

~~A new CTI Fuels Limited Partnership, in which CDF was a limited partner, was formed. The partnership was to construct a new coal processing facility at Cranfirpalis, with a capacity of 1.2 million tonnes per annum.~~

~~The partnership agreement provided that CDF would contribute 49% of the equity and CTI Fuels would contribute 51%.~~

~~A construction contract was entered into between the partnership and Northern Alloy Stadion Construction Limited (“NASC”), a subsidiary of Northern Alloy Stadion, for the construction of the facility.~~

~~The construction contract was a fixed-price, lump-sum contract in the amount of £340 million.~~

~~The partnership entered into a long-term offtake agreement with Northern Alloy Stadion, under which it agreed to supply all of the facility’s output at a price linked to the prevailing market price of coal.~~

~~The offtake agreement contained a provision that allowed Northern Alloy Stadion to terminate the agreement if the partnership failed to supply coal for a period of more than 90 consecutive days.~~

5. AGJ-ICO Endpost

- The Independent Secretary System Operator (ICSO) processing a Freedom of Information request of the Cranfalkirk Argonne for

- A breakdown of generation costs by energy resource for the years 2007 to 2010, individually and 2011.
- A breakdown of gas-GT generation costs for the years 2007-2010 between costs for energy purchased and rental of capacity.

- Staff have previously provided the following OEFC information to IESO which is relevant to the Section 28 review process:
  - NUG cost information organized by fuel types and broken down into amounts recovered through the market and Global Adjustment.
  - The OPG post-cease of Ontario Hydro Supplier Agreement between OEFC and OPG.

- Some of the OEFC information listed could be used in the response to the FIO, however it would require the following:
  - The NUG generation costs are aggregated by fuel types and combined with costs for other generators.
  - The OPG post-cease of Ontario Hydro Supplier Agreement payments are aggregated in an "other" category. These costs were also published in OPG's financial statements.

2. OEFC's NUC's & Restructuring Fees

- Section 28 of the Electricity Act, 1998 mandates that the OEFC collect certain fees from the IESO, Hydro One Networks Inc., Ontario Power Generation Inc. and any other prescribed person.
- Section 28 (1) of the Electricity Act, 1998 mandates that the OEFC collect certain fees from the IESO, Hydro One Networks Inc., Ontario Power Generation Inc. and any other prescribed person.
- Section 28 (2) of the Electricity Act, 1998 mandates that the OEFC collect certain fees from the IESO, Hydro One Networks Inc., Ontario Power Generation Inc. and any other prescribed person.

3) RACI ISSUES

a) Section 28 Modernization

- Draft EBLNEC-ETMG working group has developed options for modernizing s.28 of the Act.
- Proposed amendments to EBLA.28 have been drafted to:
  - (i) give the Minister of Finance or the President of Treasury Board the authority to prescribe persons who are required to pay an amount of public services that governs the subject to s. 28; and
  - (ii) provide the Minister of Finance or the President of Treasury Board the authority to define terms used in section 28 that are not already defined in the Act.

Wet-shire Fuel Hedging

- Intention is planning to hedge its fuel costs by entering into financial derivatives with financial institutions starting in January 2026. This will require Treasury Board and Minister of Finance approval of its planned investments by law and is now reviewing big data as well as, 3D-glasses.
- The proposal submitted from the Ministry of Transportation to the Minister of Finance has been made.

PLCO – Elektro Pension Asset

- As part of a transaction that will allow Tralyo to carry out of bankruptcy , the parent of Elektro, Ltd Tralyo, has proposed a sale to Kraftonic Industries. This sale binds Kraftonic to the pension plan of Elektro.
- The Superintendent of PLCO will not especially into the nominal administrator of Elektro's pension plan, Kraftonic Industries, to ensure that it meets its obligations under the contracts. It is the Superintendent is also the regulator, he will collaborate this transaction and will be responsible for approving the sale.
- Tax advantages of this contract by PLCO will require Treasury Board and Minister of Finance to still approve.

From:	Ronald Kwan
To:	John Kim; Emily Kerr
Subject:	Fwd: LTEP briefing
Date:	Tuesday, August 15, 2017 9:15:13 PM
Attachments:	2017 LTEP Outlooks_Briefing_Aug15_Clean.pptx ATT00001.htm Provincial Guarantee and Other Financing Issues (OFA) 08152017.docx ATT00002.htm

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Please review.

Thanks,
Ron

Begin forwarded message:

> Begin forwarded message:
>
> **From:** "McLean, David (MOF)" <David.McLean@ontario.ca>
> **To:** "Nancy Kennedy (MOHLTC)" <Nancy.Kennedy@ontario.ca>, "Gadi Mayman" <Gadi.Mayman@ofina.on.ca>, "Ghiassi, Ali (MOF)" <Ali.Ghiassi@ontario.ca>, "Elizabeth Mendes (MOF)" <Elizabeth.Mendes@ontario.ca>
> **Cc:** "Vivienne Skoberne (MOHLTC)" <Vivienne.Skoberne@ontario.ca>, "Anna Strathy" <Anna.Strathy@ofina.on.ca>, "Gwendolynne Young (ENE)" <Gwendolynne.Young@ontario.ca>, "Jonathan Tekle (CAB)" <Jonathan.Tekle@ontario.ca>
> **Subject: FW: LTEP briefing**
>
> For tomorrow's LTEP meeting. I'll forward the password in a moment.
>
> -----Original Message-----
> From: Kwamena, Boafoa (CAB)
> Sent: August 15, 2017 7:08 PM
> To: MacIntyre, Kyle (TBS); McLean, David (MOF)
> Cc: Foster, Robert (CAB); Schlaepfer, Martin (ENERGY)
> Subject: LTEP briefing
>
> Please find attached material for the LTEP briefing tomorrow. Please distribute it to your DMs and MO. Password to follow.
>
> Many thanks
> Boafoa

2017 Long-Term Energy Plan – Fuels and Electricity Outlooks

Working Draft

August 2017

Agenda for Discussion

1. Overview of 2017 Long-Term Energy Plan (2017 LTEP) Outlooks/Forecasts and confirmation of modelling assumptions:
   A. Fuels; and
   B. Electricity.

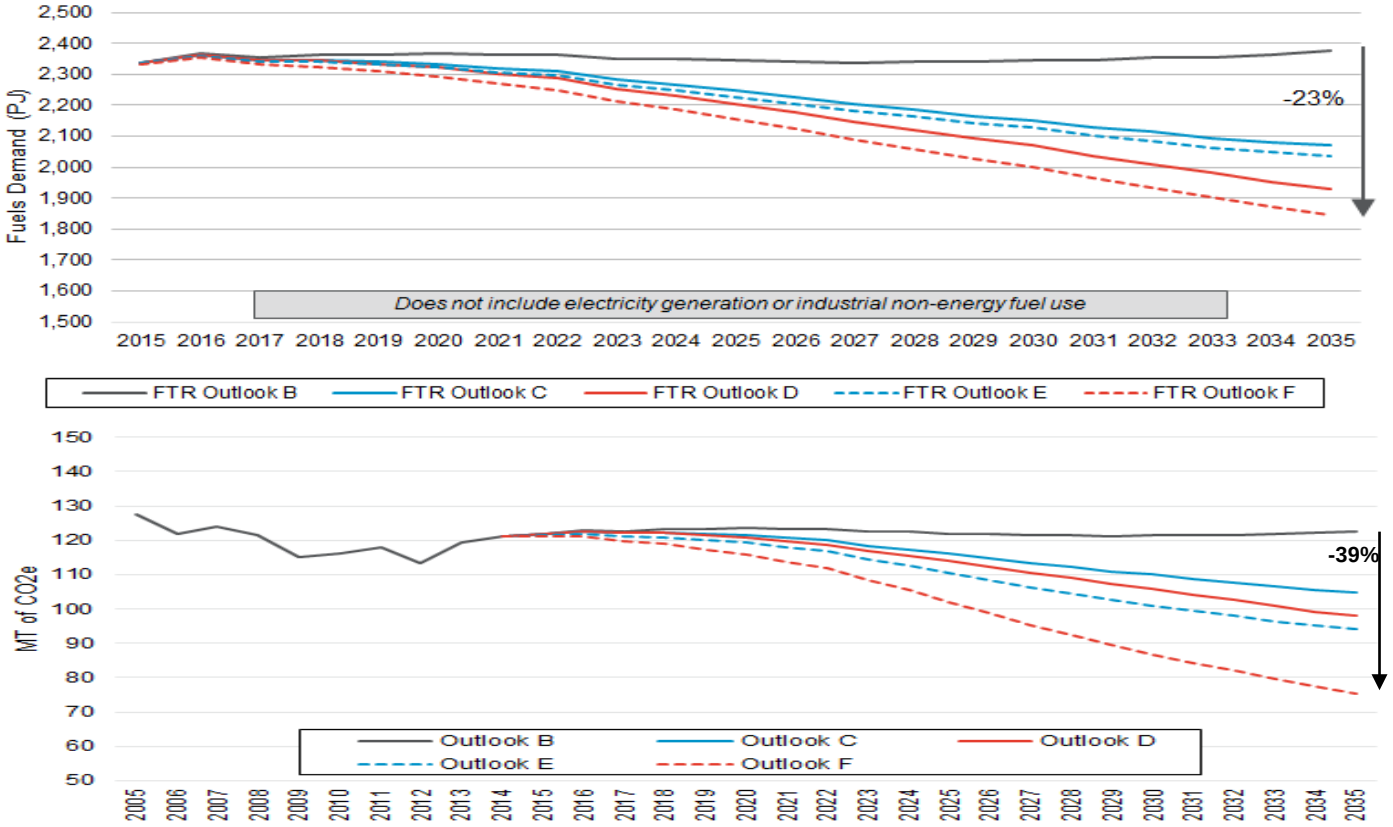
2. Discussion of inputs into the development of the 2017 LTEP Residential Electricity Price Forecast:
   A. Ontario's Fair Hydro Plan; and
   B. Other inputs into the development of the residential electricity bill (e.g., adjusting the inflationary cap, changes in residential consumption, etc).

3. Summary of next steps/critical path.

1A. 2017 LTEP – OUTLOOK AND FORECASTS FOR FUELS

A. 2017 LTEP – Fuels Outlooks and Forecasts – Context

- In 2016 to assist the development of the 2017 Long-Term Energy Plan a Fuels Technical Report (FTR) was prepared.
  - The FTR outlined five scenarios based on the same primary assumptions contained in the Independent Electricity System's (IESO) Ontario Planning Outlook (OPO) with additional "fuels only" initiatives considered in FTR Outlooks E and F.



CONFIDENTIAL CABINET DOCUMENT

Source: Navigant Fuels Technical Report.

A. 2017 LTEP – Fuels Outlooks and Forecasts – Approach

- Fuels modelling for 2017 LTEP aligns with IESO's Updated Outlook for electricity (i.e., higher electric vehicle uptake from Outlook C/D and updated prices for carbon and natural gas).
- The following approach is proposed:
  - FTR Outlook F Targets
    - IESO Updated Outlook with fuels-only assumptions that meet the FTR Outlook F Targets for greenhouse gas (GHG) emissions without additional impacts on the electricity sector. Involves fuels sector initiatives such as:
      - Natural gas demand-side management (e.g., conservation, building efficiency);
      - Renewable natural gas; and
      - Lower-carbon fuels for transportation (e.g., natural gas, ethanol, biodiesel, hydrogen, etc).
    - Additional analysis is required to determine an appropriate and credible set of fuels-only assumptions to meet FTR Outlook F emission targets. Ministry is retaining Navigant to provide additional advice on this work. Note: Navigant was retained to develop the FTR.

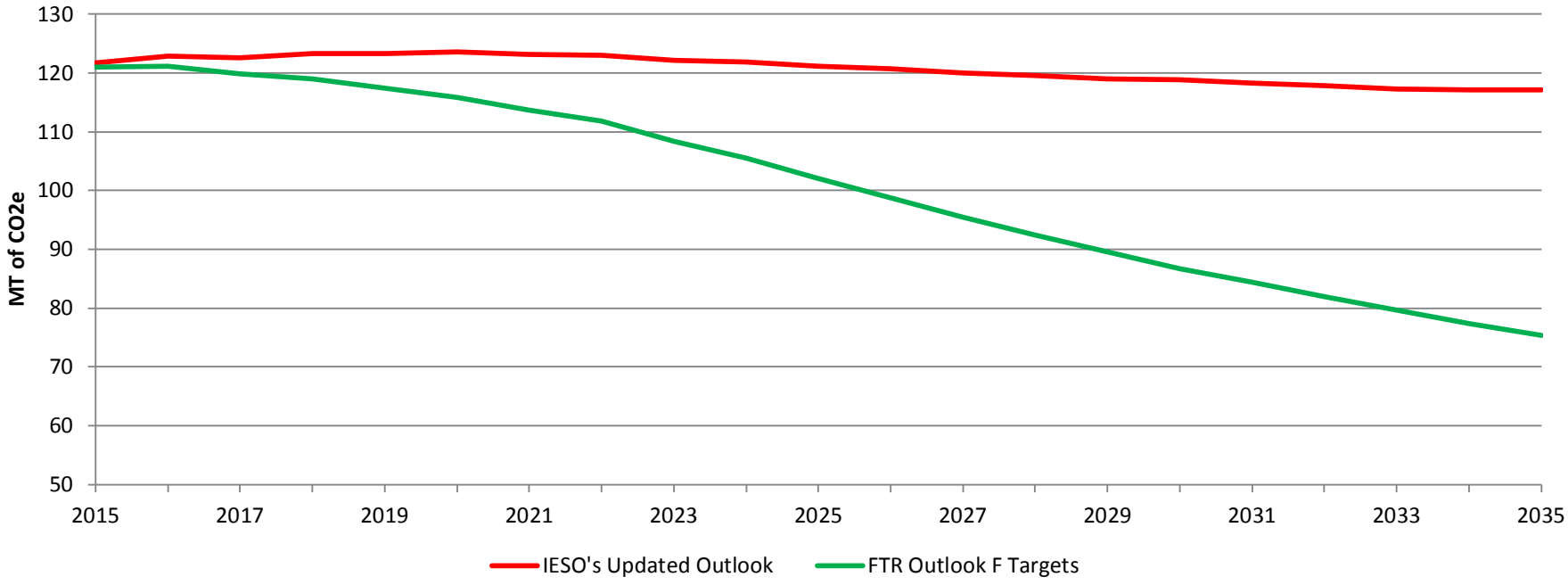
A. 2017 LTEP – Fuels Outlooks and Forecasts – Summary of Original Fuels Modeling Assumptions

- The following table shows the original FTR Outlook F modelling assumptions. These are subject to change in the proposed approach, pending further analysis to meet the FTR emissions targets without any additional impacts on the electricity sector.

Initiative	Key Assumptions
To be updated in proposed modelling approach	
Building Envelope Improvements	• 600,000 single family fossil-fuel heated dwellings improve building envelope to reduce heating load by 20 GJ/year • 255,000 multi-family fossil fuel heated dwellings improve building envelope to reduce heating load by 9 GJ/year • 6% reduction in heating load for fossil-fuel heated commercial buildings
Transportation Sector Switching	• Additional 1.3 billion litres of ethanol • Additional 2 billion litres of biodiesel /renewable diesel • Switching from diesel to natural gas / hydrogen / propane, etc. • Additional urban trips on buses (instead of cars)
Renewable Natural Gas (RNG)	• 155 PJ of RNG injected into the system
Electrification: Vehicles	• Additional 1,400,00 light-duty electric vehicles (EVs) • Additional 30,400 heavy duty EVs
<u>Not</u> included in proposed modelling approach	
Electrification: Public Transit	• Incremental 39,000,000 trips using electrified public transit
Electrification: Heating and Industrial	• 2,100,000 households upgrade/switch from natural gas to electricity for heating. • 80 million square metres of commercial floor space switches from natural gas to electricity for heating. • 57 PJ of industrial fossil fuel demand switches to electric equivalent.

A. 2017 LTEP – Fuels Emissions Outlook

- The chart below shows that GHG emissions from Ontario's fuels sector are expected to decline as a result of electrification of vehicles, as well as conservation and alternative fuel-switching.
  - Note: The chart is illustrative pending further analysis of specific fuels-only assumptions to meet FTR Outlook F emission targets.
- The FTR Outlook F emission targets represent a reduction in fuels sector GHG emissions of 36% by 2035 relative to IESO's Updated Outlook.

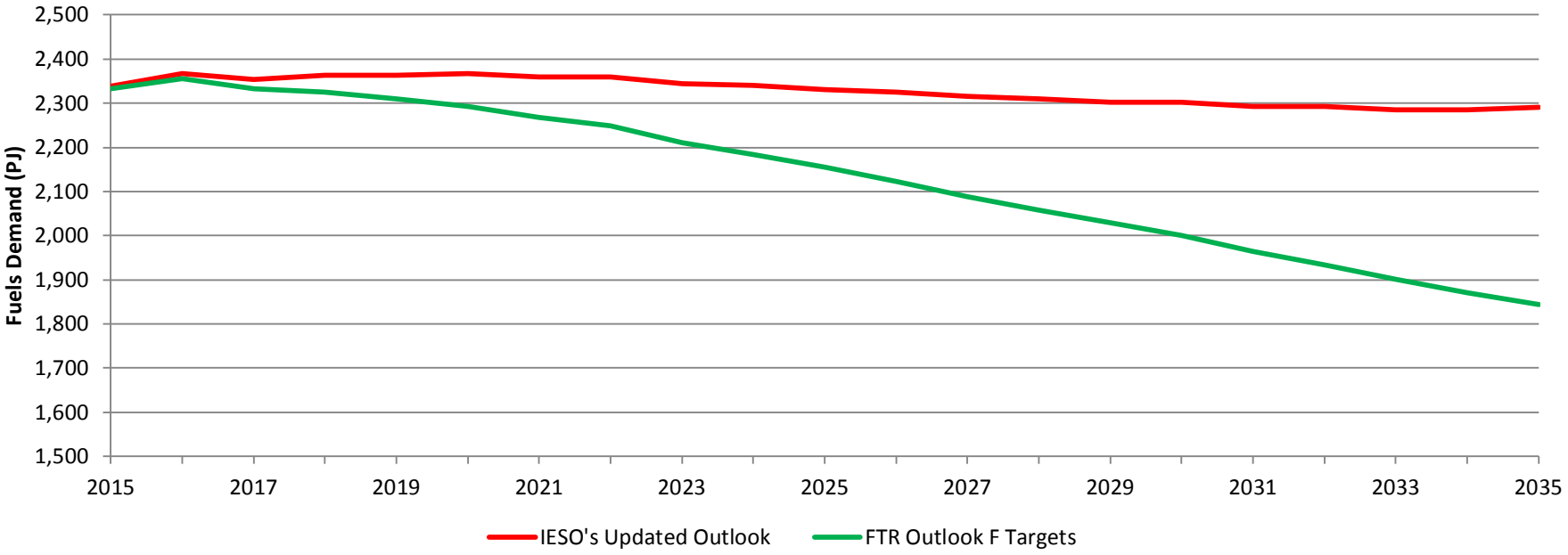


CONFIDENTIAL CABINET DOCUMENT

Source: Navigant Fuels Technical Report.

A. 2017 LTEP – Fuels Demand Outlook

- The chart below compares fuels demand under IESO's Updated Outlook and the FTR Outlook F Targets scenario.
  - Note: The chart is illustrative pending further analysis of specific fuels-only assumptions to meet FTR Outlook F emission targets. Fuels demand is not specifically being targeted in this analysis.



Source: Navigant Fuels Technical Report.

A. Considerations – Fuels Modelling

- Ministry is exploring how to achieve FTR Outlook F Targets in manner that would not result in the need for incremental electricity generating capacity beyond the planned supply resources outlined in IESO's Updated Outlook (i.e., no additional electrification of home heating and industrial processes).

- As such, adopting the FTR Outlook F Targets scenario includes the following considerations to determine an appropriate and credible set of assumptions:

  – Implementing conservation initiatives such as building energy efficiency upgrades through the use of demand-side management to further reduce fuels demand and emissions – including sectors without Ontario Energy Board (OEB) regulated programs (i.e., heating oil and propane);

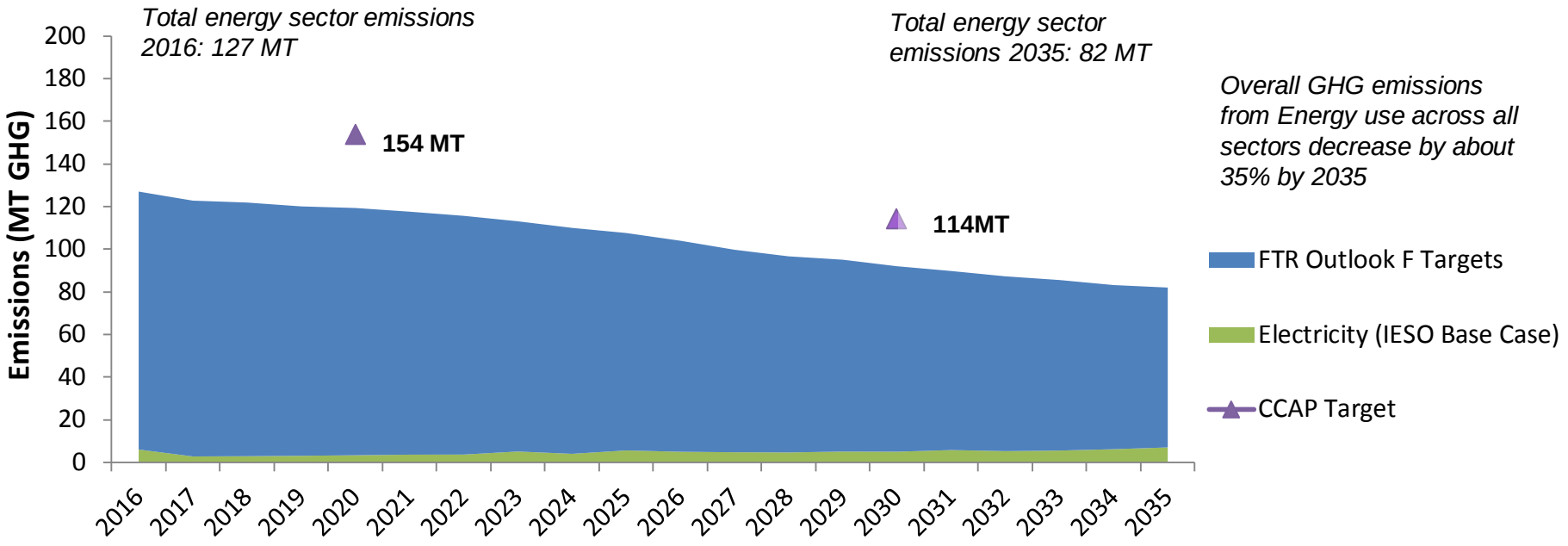
  – Increasing lower-carbon fuels use in home heating thought the adoption and deployment of new and emerging technologies (e.g., renewable natural gas); and

  – Switching to lower-carbon fuels within the transportation sector (i.e., fuels such as ethanol, biodiesel and natural gas, likely in the form of compressed natural gas or liquefied natural gas) and explore the use of emerging technologies (i.e., hydrogen use in public transit).

- Although adopting the FTR Outlook F Targets scenario demonstrates a decline in GHG emissions, it will have cost implications for consumers of fuels (i.e., transportation and home heating).

A. Considerations – Integrated Modelling

- The combined GHG emissions from Ontario's energy sector (i.e., electricity and fuels) under the proposed FTR Outlook F Targets would decrease by 35% by 2035 relative to 2016 levels, and would remain well below the economy-wide CCAP target for 2030.

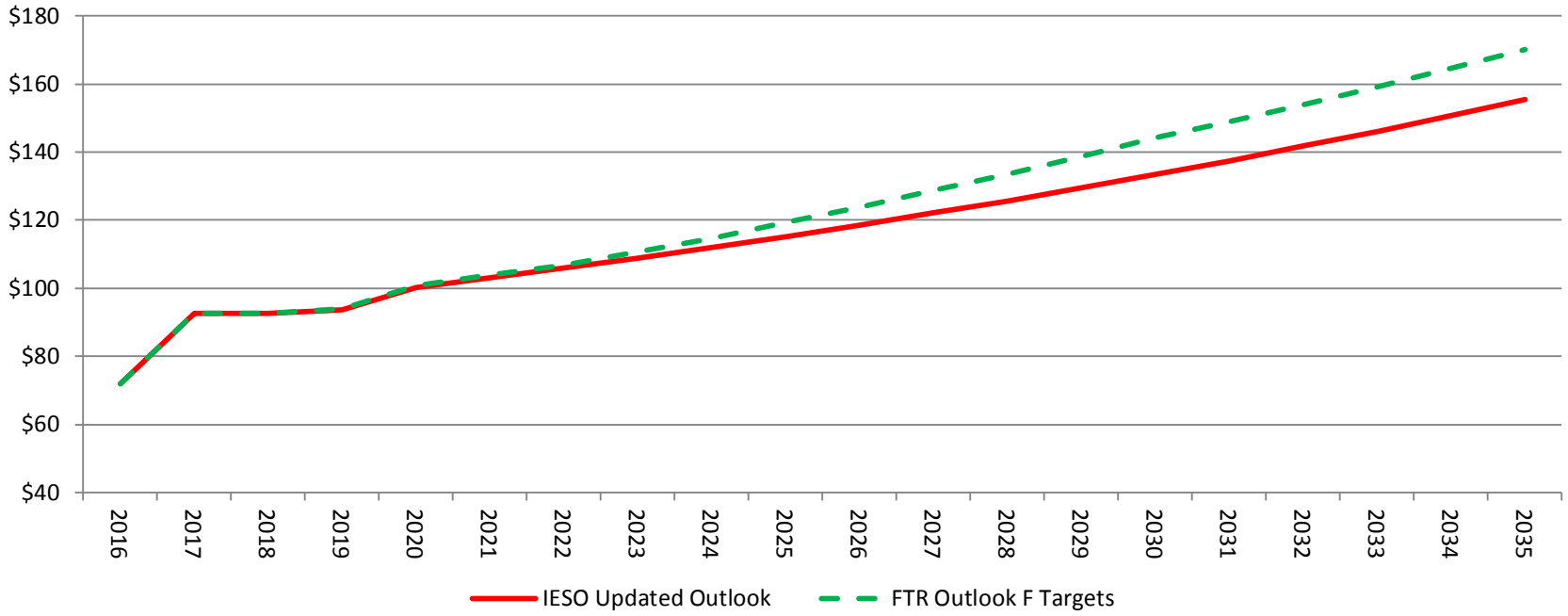


Note: Emissions excludes non-energy sources including agriculture, waste, and non-energy related industrial processes. Updated IESO base case for electricity subject to key assumptions, Emissions from FTR Outlook F used as a proxy pending updated modelling from Navigant. CCAP Targets for Ontario are 15% and 37% reduced emissions from 1990 levels (~182 MT) by 2020 and 2030 respectively.

A. Residential Natural Gas Bill Outlook

- The chart below shows the residential bill under: IESO's Updated Outlook and FTR Outlook F Targets. Analysis is ongoing to ensure appropriate scenario modelling and bill treatment.
  - Bills relative to IESO's Updated Outlook are expected to increase primarily due to further substitution of higher-cost RNG. **Note:** The chart assumes a constant monthly consumption each year.

Typical Residential Natural Gas Bill (with tax, nominal $ per month)



CONFIDENTIAL CABINET DOCUMENT

Source: IESO Modelling Update and Navigant Fuels Technical Report.

1B. 2017 LTEP – OUTLOOK AND FORECASTS FOR ELECTRICITY

B. 2017 LTEP – Electricity Outlooks and Forecasts

- The Long-Term Energy Plan (LTEP) is the energy sector's roadmap. It includes 20-year outlooks / forecasts, and identifies initiatives to position the energy sector for the future. Past LTEPs have included:
  - Forecast of typical residential electricity bills
  - Electricity Demand Outlook;
  - Electricity Supply Outlook; and
  - Emissions Outlook.

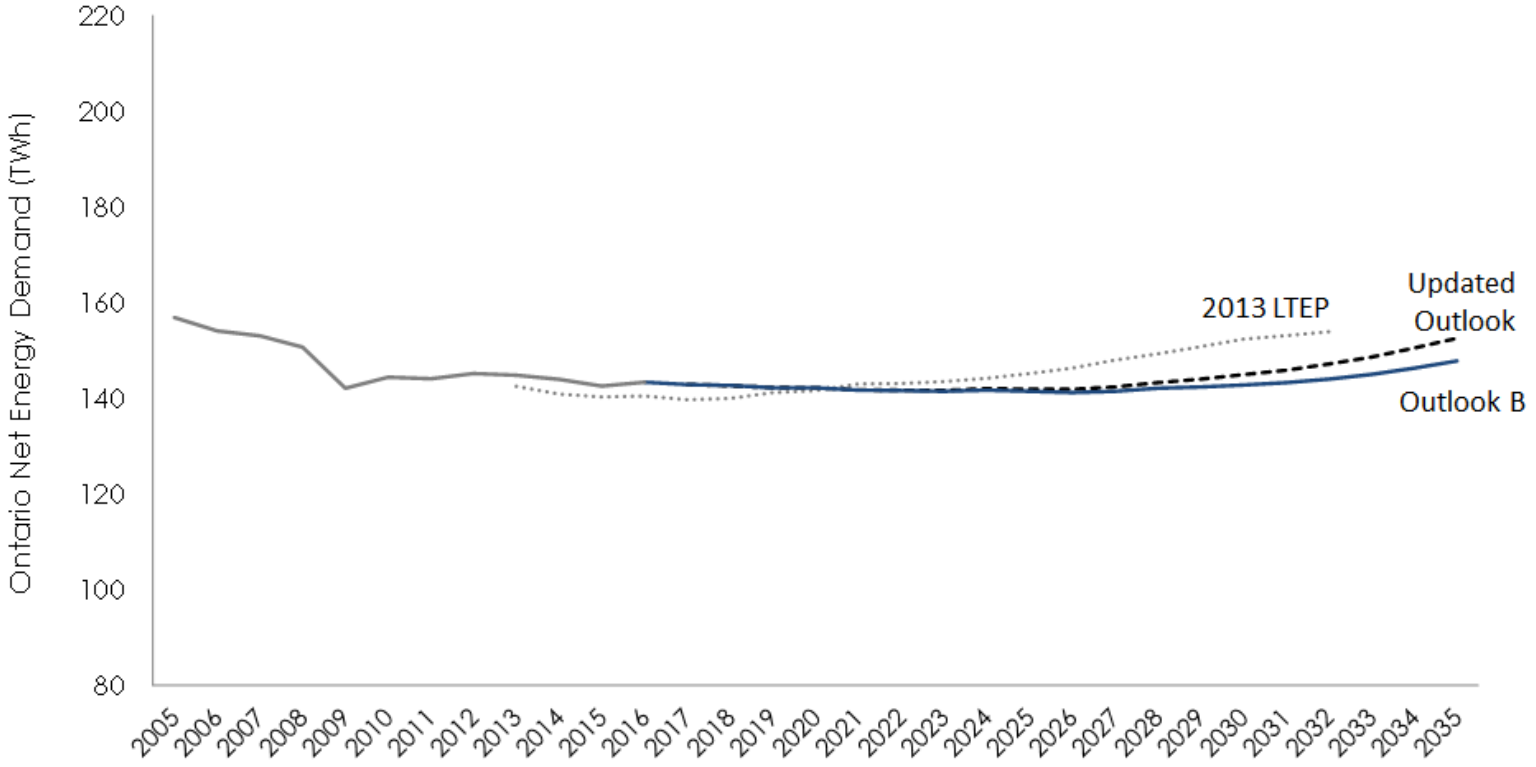
- The introduction of Ontario's Fair Hydro Plan (OFHP) has impacted the residential electricity bill by reducing costs in the near term. Over the long-term the incurred debt will be repaid by electricity consumers.

- Action have been undertaken to lower electricity costs for all consumers. Current actions that are underway or have been agreed to bend the future cost curve, include:
  - Savings from IESO's Market Renewal of up to $5.2 billion over a 10-year period beginning in 2021 have been incorporated into the electricity outlooks; and
  - Ontario Energy Board (OEB) is expected to revaluate its performance mechanisms to ensure that high-cost LDCs are becoming more efficient through the years.
  - ENERGY and its agencies have also considered other options to remove costs from the electricity system through other funding sources and supply mix decisions.

See Appendix for more detail on measures that have been implemented and measures underway.

B. 2017 LTEP – Electricity Demand Outlook

- The following chart compares the demand forecast in 2013 LTEP, IESO's outlook publically released in September 2016 (Outlook B), and the new updated outlook for 2017 LTEP.
- The updated outlook is based on Outlook B with increased EV uptake (2.4 million EVs by 2035) and recent sector updates (about 5 TWh higher than Outlook B by 2035).

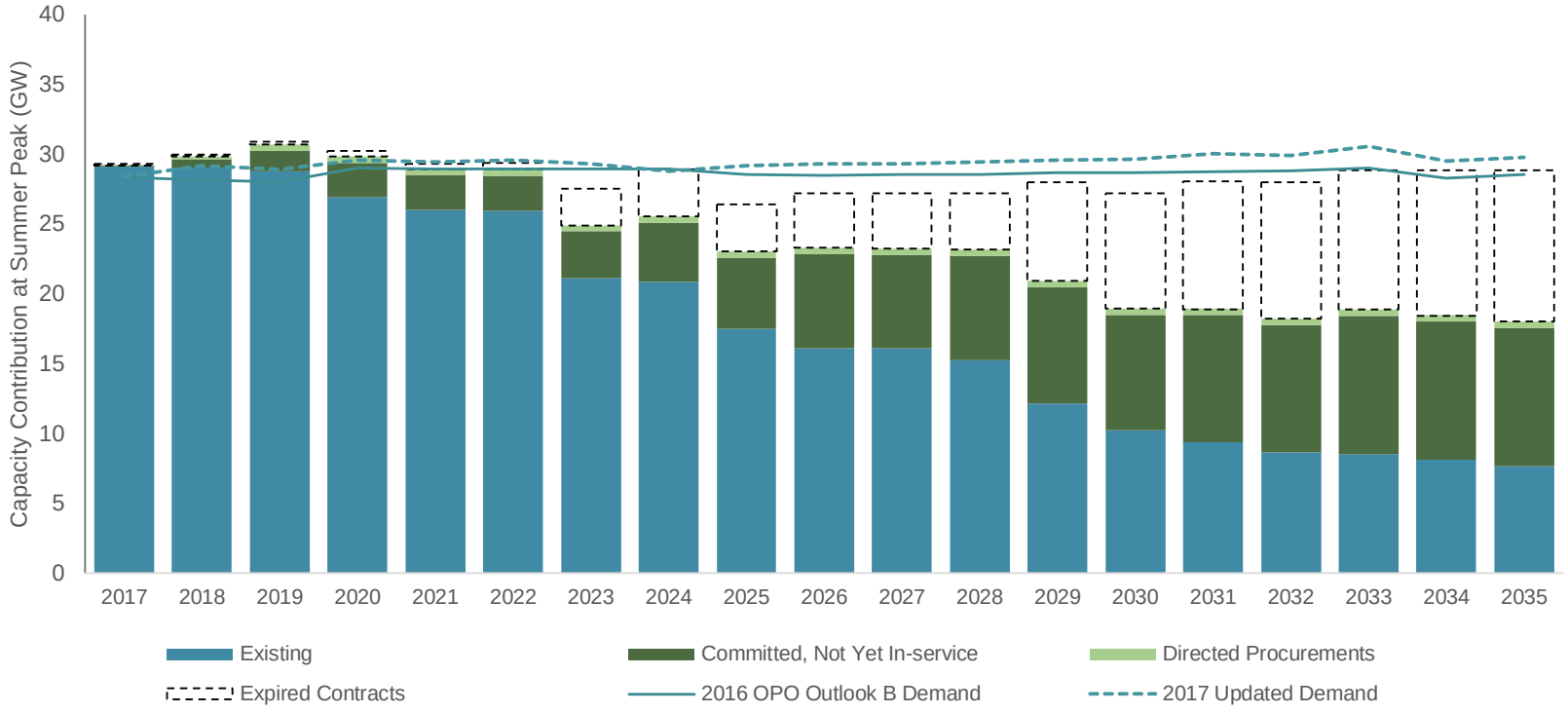


CONFIDENTIAL CABINET DOCUMENT

Source: IESO Modelling Update.

B. 2017 LTEP – Electricity Supply Outlook

- 18 GW of supply resources will reach the end of their contact term by 2035. There will be a need for additional resources in the early 2020s.
  - These resources could offer into the electricity and/or capacity market to provide additional supply as required.
  - Maintaining flexibility allows for the electricity system to meet increases and decreases in future demand.



CONFIDENTIAL CABINET DOCUMENT

Source: IESO Modelling Update.

B. 2017 LTEP – Electricity Outlooks and Forecasts – Summary of Modelling Assumptions

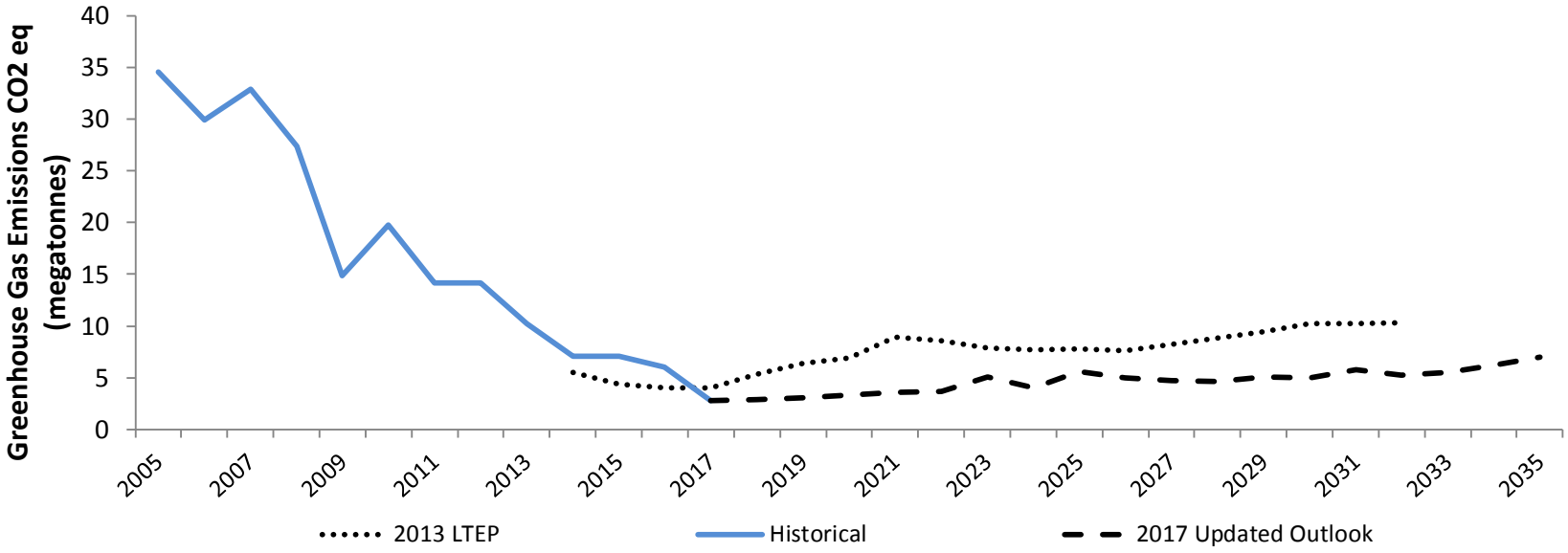
Outlook	Key Assumptions
Supply	<u>Nuclear</u> • Refurbishment schedule reflects OPG's current business plan and the amended Bruce refurbishment schedule; and • Pickering is assumed to operate to 2022/2024. <u>Renewables</u> • Suspension of LRP II and EFW; and • FIT 5 and microFIT 2017 are the remaining renewable programs to be procured that are not yet online or contracted. <u>Electricity Trade Agreements</u> • Ontario-Quebec (2.3 TWh per year from 2017 to 2022 inclusive, 500 MW capacity per winter December 2016 to March 2023 from Ontario to Quebec and 500 MW Quebec to Ontario.
Demand	• Based on OPO Outlook B, with the addition of EVs per OPO Outlook D (i.e., 2.4 million EVs by 2035). Note: Transportation-related electricity is modelled separately.
Conservation and Demand Response	• Conservation: Reflects 2013 LTEP energy efficiency target of 30 TWh by 2032 and assumes that the near term target set in the Conservation First Framework and Industrial Accelerator Program of 8.7 TWh will be achieved by 2020; and • Demand Response (DR): any DR currently procured through the DR auction would continue to be available in future auctions.

B. 2017 LTEP – Electricity Outlooks and Forecasts – Summary of Modelling Assumptions (cont'd)

Outlook	Key Assumptions
Price	• Reflects OPG smoothed rates. • Assumes the generation assets will continue to be available for the duration of the planning outlook, where the costing of expired contracts reflect: – Natural gas is converted to a generic gas plan with assumptions per Hatch report; – Wind is based on LRP I, with a discounted capital cost re-investment for end of life components; – Solar is based on LRP I, except that future investments for end of life components decline in cost in recognition of technological improvements; and – Note: Both the wind and solar re-investment costs are lower than that used in the OPO. • Natural gas price forecast is based on the Sproule projection of February 2017. • Carbon price is based on the actual floor price for the March 2017 cap and trade auction, inflated at 5% as per the cap and trade regulation and 2% inflationary increase. • Updated transmission rates to reflect current application before the OEB for 2017 and 2018; Adjustments to forecast methodology to calculate the fixed and variable elements of the distribution costs. • The estimated bill for a residential consumer now incorporates May and July 2017 actuals (whereas a forecast for the year was previously used).

B. 2017 LTEP – Electricity Emissions Outlook

- With the retirement of coal plants, greenhouse gas (GHG) emissions have dropped by over 80% in the past 10 years. Today, Ontario electricity sector GHG emissions represent about 2% of Ontario's overall economy-wide GHG emissions.
- The trend of lower emissions is forecast to continue over the planning outlook.
- IESO is undertaking analysis of new scenarios, including a flat GHG outlook and a declining GHG outlook, with increased investment in additional clean energy and/or conservation.



Source: IESO
*Note: Indicative illustration subject to change based on IESO analysis.

2. INPUTS INTO THE DEVELOPMENT OF THE 2017 LTEP RESIDENTIAL ELECTRICITY PRICE FORECAST

2017 LTEP – Residential Electricity Price Forecast

- The 2017 LTEP price forecast needs to show progress at lowering costs relative to the 2013 LTEP.

- The modelling assumptions for 2017 LTEP Residential Electricity Price Forecast include:
  - Benefits from implementing IESO's Market Renewal which includes a number of initiatives focused on more efficiently meeting demand; and
  - Ontario's Fair Hydro Plan (OFHP).

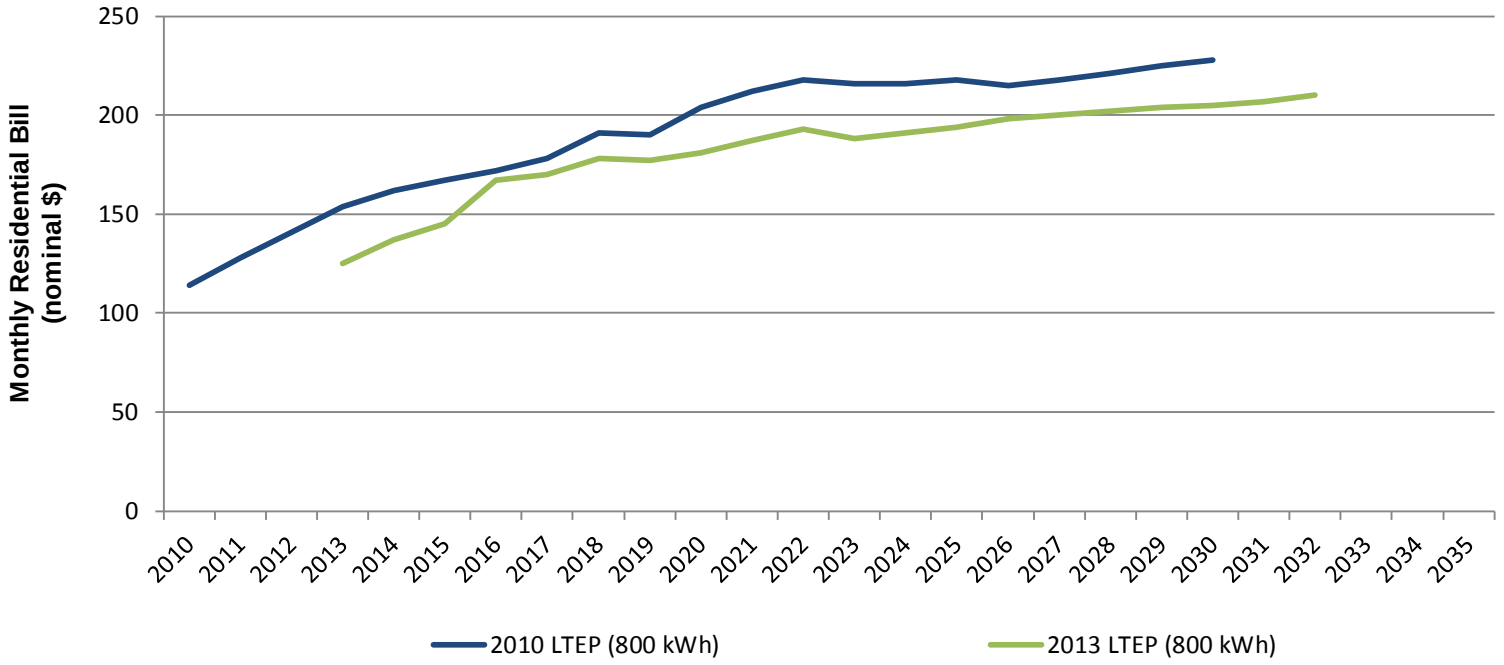
- A decision is required on other inputs which impact the presentation of the residential bill, in the near, medium and long-term, including:
  I. Adjusting the inflationary cap; and
  II. Changes in residential consumption.

A. Ontario's Fair Hydro Plan

- The Ontario Fair Hydro Plan Act, 2017 requires the Minister of Energy to calculate the "Fair Allocation Amount" (FAA) for each 6-month period to 2047.
  - The FAA is the accumulated difference between the allocation of clean energy costs and any associated financing costs payable by specified consumers under the OFHPA and the allocation of clean energy costs that would have been payable by those same consumers absent the OFHPA.
- The FAA aligns clean energy costs with clean energy benefits into the future.
- The Minister is required by the Act to provided the FAA to the Ontario Power Generator (OPG) as Financial Services Manager.
  - The FAA is expected to be set out in a letter from the Minister to OPG.
- The FAA is a constraint on the debt that the Financial Services Manager can finance.
- This is an important input in the development of the 2017 LTEP residential price forecast curve (i.e., the forecast cannot be finalized until the OFHP payback period is finalized).
- The FAA is necessary for the development of a Financing Plan by OPG and must precede the rating and sale of the asset (Summer/Fall 2017 TBC).

A. 2017 LTEP – Residential Price Forecast

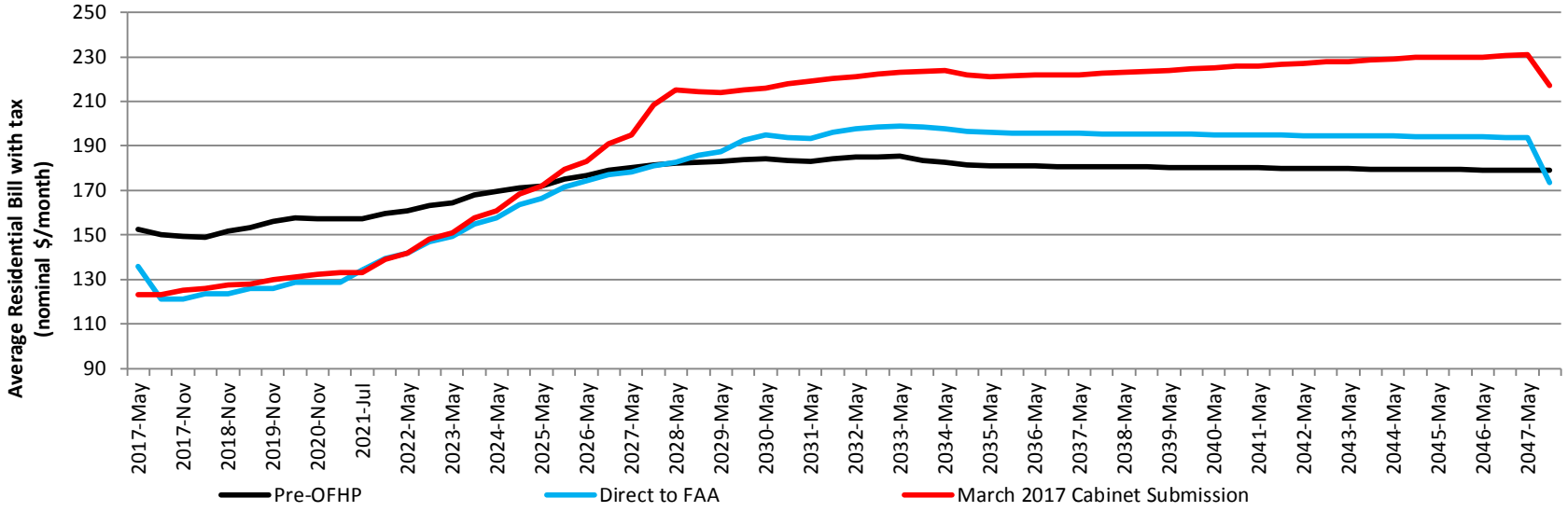
- The 2017 LTEP will include an updated residential electricity bill forecast.
- LTEP residential bill forecasts have followed a trend of being lower than the prior LTEP.



Note: OFHP – Direct to FAA (750 kWh) based on a preliminary July 2017 forecast; forecast is subject to change. As of 2017, the OEB reports residential bill impacts using an average consumption of 750 kWh per month.

A. Ontario's Fair Hydro Plan – Fair Allocation Amount

- Under current OFHP forecasts, residential electricity rates would increase at an average rate of about 5% between the end of the inflationary cap until the recovery period (i.e., 2021-2027).
- Maximum debt is estimated to reach $21.3 billion in 2029. Note: Public estimate was $28 billion.
- Demand, interest, financing, technology performance and system cost assumptions can significantly impact the price forecast.



	2017-May	2017-Jul	2018-May	2019-May	2020-May	2021-Jul	2022-May	2023-May	2024-May	2025-May	2026-May	2027-May	2028-May	2029-May	2030-May	2031-May	2032-May	2033-May	2034-May	2035-May	2036-May	2037-May	2038-May	2039-May	2040-May	2041-May	2042-May	2043-May	2044-May	2045-May	2046-May	2047-May	2048-May
Average Residential Bill ($/month)	136	121	124	126	129	134	142	149	158	166	174	178	183	188	195	193	198	199	198	196	196	196	195	195	195	195	195	195	194	194	194	194	173
Change in bill (%)	n/a	-10.8%	2.0%	2.0%	2.0%	4.5%	5.4%	5.5%	5.5%	5.5%	4.8%	2.2%	2.5%	2.7%	3.9%	-0.8%	2.3%	0.7%	-0.7%	-0.9%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-10.5%
Total Accumulated Debt ($B)	0.2	1.0	3.3	5.8	8.5	11.5	13.6	15.5	17.2	18.4	19.3	20.2	20.9	21.3	21.2	20.9	20.5	19.9	19.1	18.2	17.2	16.2	15.1	13.9	12.7	11.3	9.9	8.3	6.7	4.9	3.1	1.0	0.0

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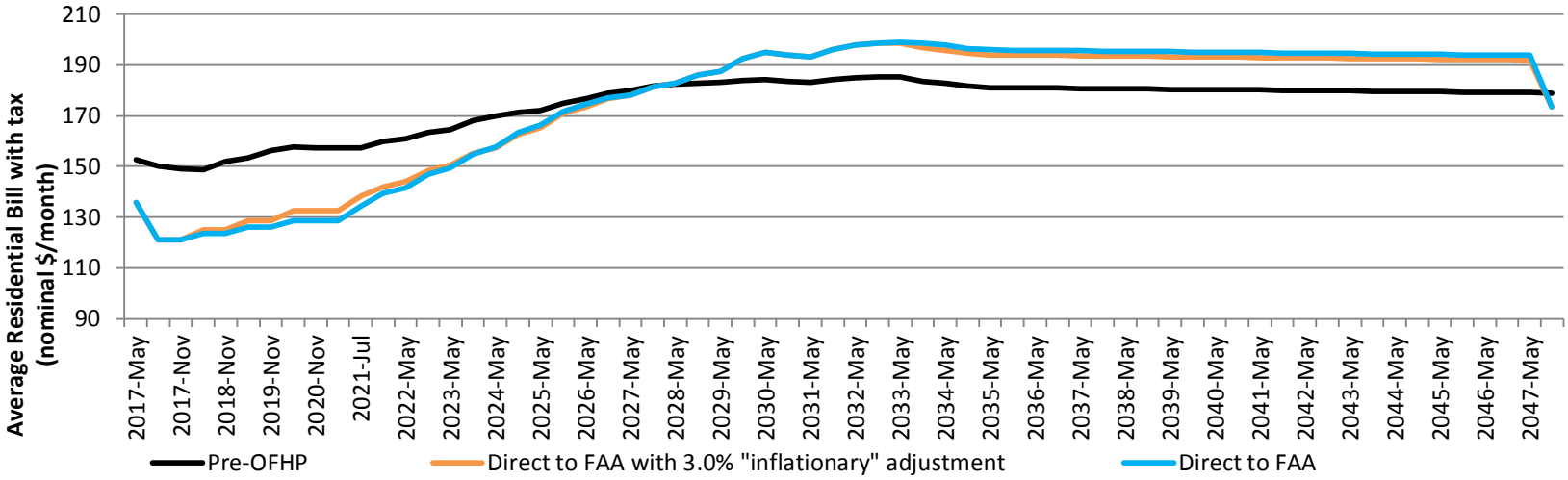
Note: Based on a preliminary July 2017 forecast; forecast is subject to change. Assumes 30-year financing period and a nominal interest rate of 5% (compounded monthly). Pre-OFHP forecast beyond 2035 is extrapolated.

B1. Adjust the Inflationary Cap

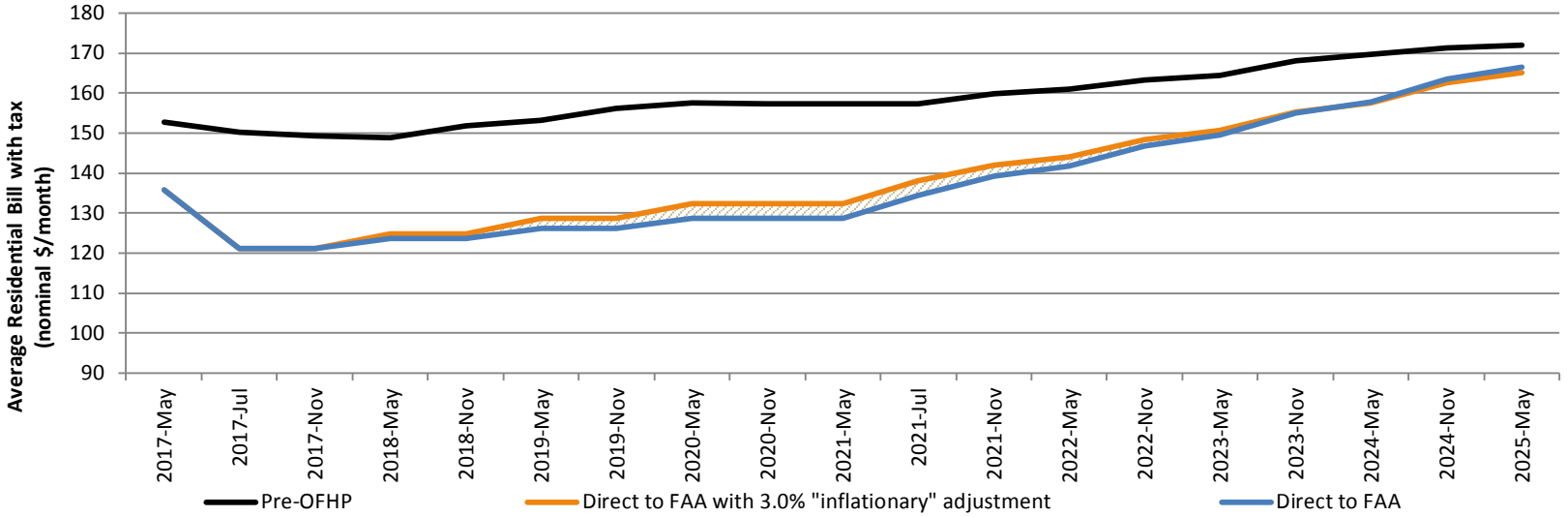
- Under OFHP, typical residential bills would increase at the “rate of inflation” for four years.
- Increasing this cap would have the effect of reducing the incurred debt and smoothing the step change in rates when they return to the Fair Allocation Amount (FAA).
- OFHP modelling previously based on 2% “rate of inflation”. A 3.0% increase during the inflationary cap period reduces the debt over the duration of the program by $1.7 billion down to a total of $19.6 billion (i.e., from $21.3 billion). Furthermore, residential electricity rates would increase at an average rate of about 4.5% between the end of the inflationary cap until the recovery period (i.e., 2021-2027).



	2017-May	2017-Jul	2018-May	2019-May	2020-May	2021-Jul	2022-May	2023-May	2024-May	2025-May	2026-May	2027-May	2028-May	2029-May	2030-May	2031-May	2032-May	2033-May	2034-May	2035-May	2036-May	2037-May	2038-May	2039-May	2040-May	2041-May	2042-May	2043-May	2044-May	2045-May	2046-May	2047-May	2048-May
Direct to FAA																																	
Average residential bill	136	121	124	126	129	134	142	149	158	166	174	178	183	188	195	193	198	199	198	196	196	196	195	195	195	195	195	195	194	194	194	194	173
Change in bill (%)	n/a	-10.8%	2.0%	2.0%	2.0%	4.5%	5.4%	5.5%	5.5%	5.5%	4.8%	2.2%	2.5%	2.7%	3.9%	-0.8%	2.3%	0.7%	-0.7%	-0.9%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-10.5%
Total Accumulated Debt ($B)	0.2	1.0	3.3	5.8	8.5	11.5	13.6	15.5	17.2	18.4	19.3	20.2	20.9	21.3	21.2	20.9	20.5	19.9	19.1	18.2	17.2	16.2	15.1	13.9	12.7	11.3	9.9	8.3	6.7	4.9	3.1	1.0	0.0
Direct to FAA with 3.0% “inflationary’																																	
	136	121	125	129	132	138	144	151	157	165	174	178	183	188	195	193	198	199	196	194	194	194	194	193	193	193	193	193	192	192	192	192	173
Change in bill (%)	n/a	-10.8%	3.0%	3.0%	3.0%	4.3%	4.2%	4.6%	4.5%	4.8%	5.2%	2.6%	2.5%	2.7%	3.9%	-0.8%	2.3%	0.4%	-1.4%	-0.9%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-9.6%
Total Accumulated Debt ($B)	0.2	1.0	3.2	5.5	8.0	10.5	12.4	14.1	15.7	17.0	17.9	18.7	19.3	19.6	19.4	19.1	18.6	17.9	17.2	16.4	15.5	14.6	13.6	12.6	11.4	10.2	8.9	7.5	6.1	4.5	2.8	0.9	0.0

Note: Based on a preliminary July 2017 forecast; forecast is subject to change. Assumes 30-year financing period and a nominal interest rate of 5% (compounded monthly). Pre-OFHP forecast beyond 2035 is extrapolated.

B1. Adjust the Inflationary Cap (cont'd)



	2017-May	2017-Jul	2018-May	2019-May	2020-May	2021-Jul	2022-May	2023-May	2024-May	2025-May
Direct to FAA										
Average residential bill	136	121	124	126	129	134	142	149	158	166
Change in bill (%)	n/a	-10.8%	2.0%	2.0%	2.0%	4.5%	5.4%	5.5%	5.5%	5.5%
Total Accumulated Debt ($B)	0.2	1.0	3.3	5.8	8.5	11.5	13.6	15.5	17.2	18.4
Direct to FAA with 3.0% "inflationary'										
Average residential bill	136	121	125	129	132	138	144	151	157	165
Change in bill (%)	n/a	-10.8%	3.0%	3.0%	3.0%	4.3%	4.2%	4.6%	4.5%	4.8%
Total Accumulated Debt ($B)	0.2	1.0	3.2	5.5	8.0	10.5	12.4	14.1	15.7	17.0

Considerations

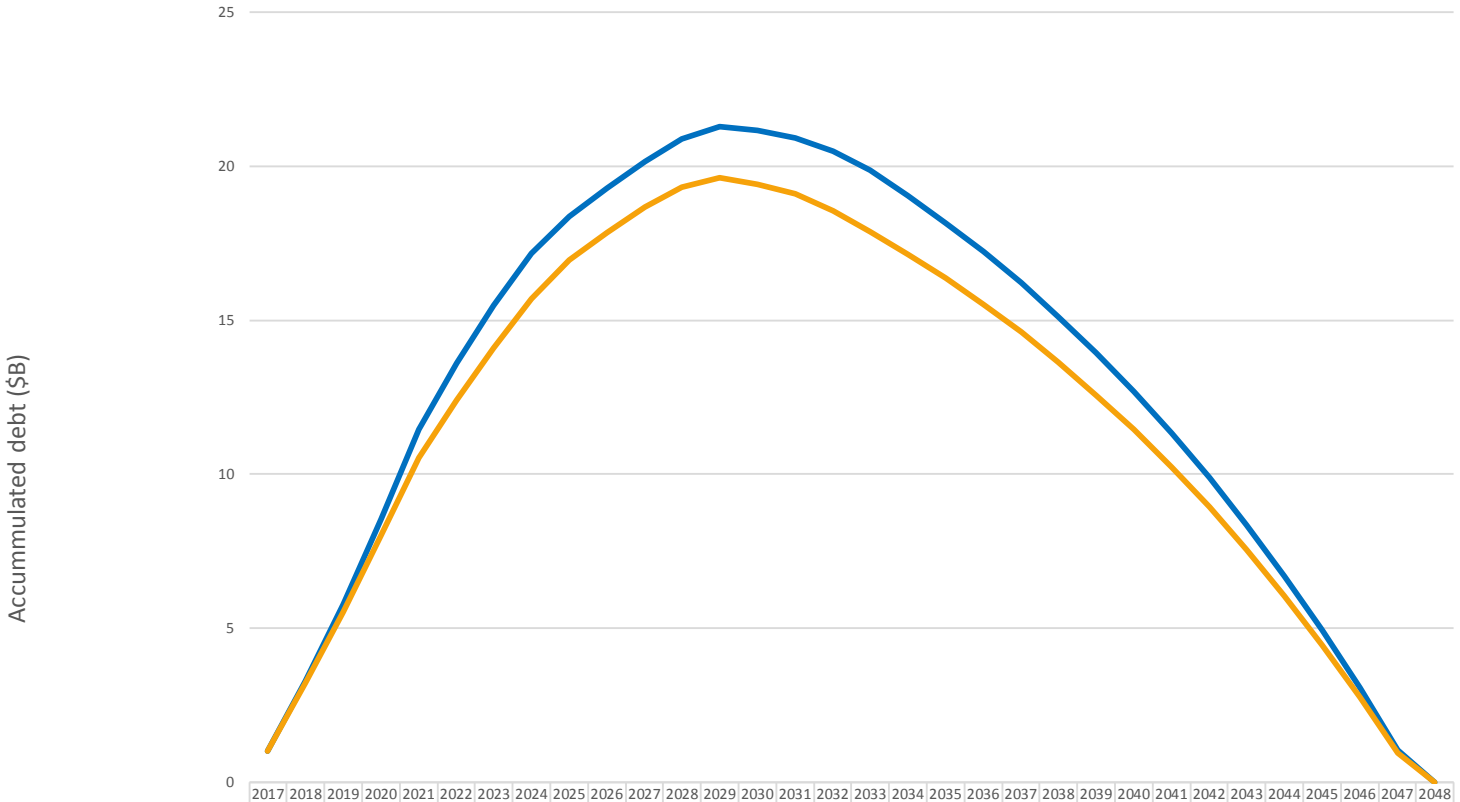
- The four-year inflationary cap has been publicly communicated.
- Inflationary increases are specified in O.Reg. 195/17 to be applied by the Ontario Energy Board (OEB) when setting Regulated Price Plan (RPP) rates. This regulation would need to be amended to alter or extend the increase cap.
- Raising the "inflationary" increases during the cap period reduces total accumulated OFHP debt.

Note: Based on a preliminary July 2017 forecast; forecast is subject to change.

B1. Adjust the Inflationary Cap – Impact on Total Accumulated OFHP Debt

Considerations

- Raising the "inflationary" increases during the cap period reduces total accumulated OFHP debt as shown in the summary provided below.



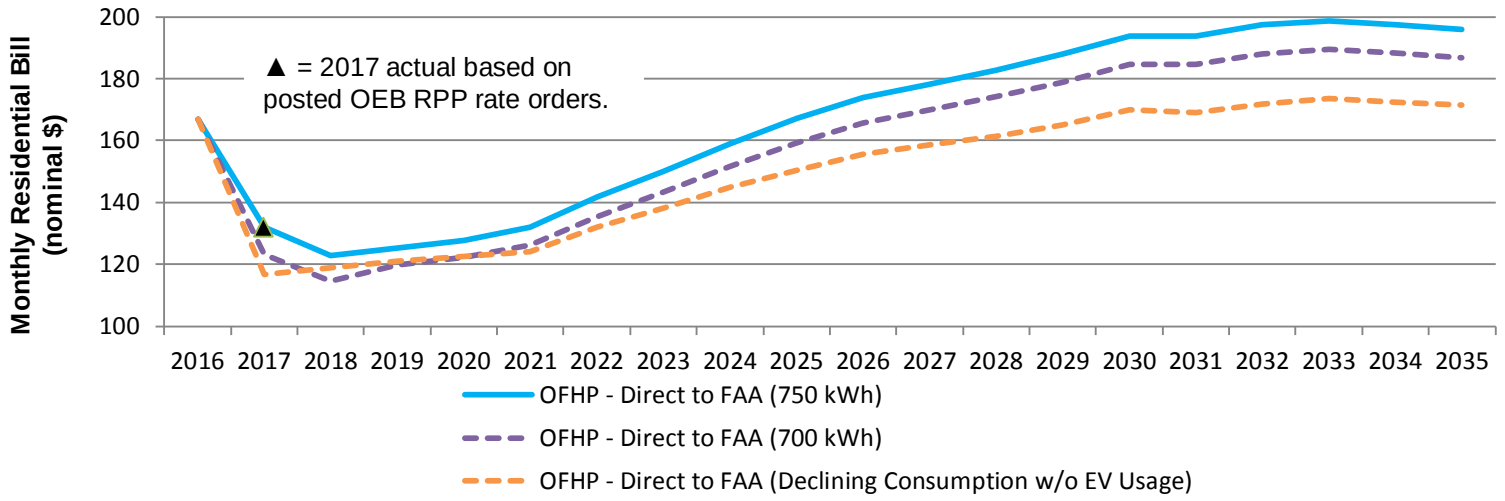
	2017 -Jul	2018 -May	2019 -May	2020 -May	2021 -Jul	2022 -May	2023 -May	2024 -May	2025 -May	2026 -May	2027 -May	2028 -May	2029 -May	2030 -May	2031 -May	2032 -May	2033 -May	2034 -May	2035 -May	2036 -May	2037 -May	2038 -May	2039 -May	2040 -May	2041 -May	2042 -May	2043 -May	2044 -May	2045 -May	2046 -May	2047 -May	2048 -May
Direct to FAA	1.0	3.3	5.8	8.5	11.5	13.6	15.5	17.2	18.4	19.3	20.2	20.9	21.3	21.2	20.9	20.5	19.9	19.1	18.2	17.2	16.2	15.1	13.9	12.7	11.3	9.9	8.3	6.7	4.9	3.1	1.0	0.0
Direct to FAA with 3.0% "inflationary" adjustment	1.0	3.2	5.5	8.0	10.5	12.4	14.1	15.7	17.0	17.9	18.7	19.3	19.6	19.4	19.1	18.6	17.9	17.2	16.4	15.5	14.6	13.6	12.6	11.4	10.2	8.9	7.5	6.1	4.5	2.8	0.9	0.0

Note: Based on a preliminary July 2017 forecast; forecast is subject to change. Assumes 30-year financing period and a nominal interest rate of 5% (compounded monthly). Status Quo forecast beyond 2035 is extrapolated.

B2. Changes in Residential Consumption

- Over the forecast period, residential bill impact is expected to change due to factors such as:
  - Declining size of average residential dwellings;
  - Increasing energy efficiency; and
  - Increasing electrification of space heating, water heating and transportation.

- The below graph shows the impact of declining residential consumption over the forecast period:
  - **750 kWh/month:** Based on current OEB Ontario average and OFHP modeling to date;
  - **700 kWh/ month*:** Illustrative example of reduced consumption (Note: Average consumption over the forecast period is 640 kWh/month); and
  - **Declining Annual Consumption*:** A steady decline in average consumption over the planning period from 730 kWh/ month in 2017 to 600 kWh/ month in 2035**.



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* Note: Does not include the impact of the change in debt and the impact of lower consumption on fixed delivery rates.
** Note: A typical household's monthly consumption could rise from 750 kWh to ~1,000 kWh with on-site EV charging.

B2. Changes in Residential Consumption (cont'd)

Considerations

- 2010 and 2013 LTEPs both used OEB average consumption for the full life of the price curve (i.e., 800 kWh/month).
- The OEB has observed a trend of declining consumption since 2005, and IESO's Updated Outlook would support presenting either a reduced average (700 kWh/month) or annual average consumption in the 2017 LTEP. However, the forecast should be qualified to note:
  - While the residential demand outlook includes increased electrification of space and water heating, it does not account for increased electrification due to adoption of EVs. The OPO modelled electricity demand separate from transportation-related electricity demand – this approach was also used in the IESO's Updated Outlook.
    - EV impact on residential consumption depends on the number of EVs per household, charging location and vehicle type. The Updated Outlook assumes 2.4 million EVs in 2035. Including the total electricity demand from all EVs in the residential outlook would increase average monthly residential consumption by 10-15%.
    - While increased adoption of EVs could lead to an increase in household electricity bills, it would also result in a corresponding decrease in a household's expenditure on gasoline/diesel.
    - Net metering could help offset increased consumption from EVs, on average and for participants with EVs.
      - » A typical net metered residential solar PV system can generate an average of over 400 kWh of electricity each month, helping to reduce household consumption from the grid.*
      - » The Ministry is proposing to allow third party providers to own and operate net metering facilities, which could expand net metering participation.
  - Monthly electricity consumption varies significantly across the province, influenced by dwelling size (condo or single-family home), as well as fuel type used for space and water heating, among other factors.

2015 Average Monthly Residential Consumption**

LDC	Toronto Hydro	Hydro Ottawa	Hydro One	Ontario Average
Consumption	620 kWh	631 kWh	954 kWh	746 kWh

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*Note: Assumes a 4kW rooftop solar PV system. A typical residential net metering participant consumes ~50% on site and exports ~50% to the grid.

**Source: OEB 2015 Yearbook for Electricity Distributors.

3. NEXT STEPS / CRITICAL PATH

Timeline of Next Steps

- The following timeline illustrates the steps needed for an early October LTEP release.

July 26
Cabinet approval LTEP Initiatives

- Cabinet approved LTEP policy and program initiatives for inclusion in final LTEP.

August 16
PO briefing on Price Curve

- PO briefing on outlooks for Aug 31 Cabinet submission.

August 16
TB/MBC for Smart Grid Fund

- Seek TB/MBC approval for $60M over five years for renewing the Smart Grid Fund.

August 23
PO briefing on Comms Plan

- PO briefing on communications plan for LTEP release.

August 29
LRC for Frequency Regulation

- Seek LRC approval on new regulation that will specify the frequency for release of future LTEPs.

August 31
Cabinet approval of LTEP outlooks

- Seek Cabinet approval of outlooks for inclusion in final LTEP and frequency regulation.

September 6
Final sign-off from CO/PO

- Final sign-off on LTEP document.
- A delay in sign-off would impact the critical path and push the proposed release of the LTEP beyond the week of October 10.

September 25
LRC for legislative changes

- Seek LRC approval for legislative amendments to enable implementation of Green Button and expansion of Net Metering.

Early Sept – Early Oct
LTEP Production

- The design firm retained by ENERGY requires approximately ~3 weeks from final sign-off to release for layout/ translation and printing.

Oct 4
Final Cabinet approval

- ENERGY will table final LTEP document and implementation directives with Cabinet for approval.

Week of
October 10*
LTEP release

- Release will include web-release, press conference, social media promotion.

* LTEP release during the week of October 10 is dependent on the following approvals:
- Cabinet on Aug 31;
- CO/PO on Sept 6;
- Cabinet on Oct 4.

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Cabinet Approval | Committee Approval | PO Approvals | Production and Release

APPENDIX

Bending the Cost Curve for Electricity Ratepayers

- The government has indicated publicly that the upcoming 2017 LTEP will continue the trend of taking costs out of the electricity system and making it more affordable for ratepayers.

- Ontario has taken a number of actions to lower electricity costs for all consumers by:
  - Deferring investments in generation (e.g., new build nuclear), improving market efficiency (e.g., wind dispatch) and decreasing the cost of renewable procurements (e.g., Green Energy Investment Agreement (GEIA) renegotiation, decreasing Feed-In Tariff (FIT) prices, competitive Large Renewable Procurement (LRP));
  - Increasing cost effectiveness and improving efficiency by adopting new electricity market approaches (e.g., no NUG contract extensions and demand response);
  - Suspending the LRP II and the Energy from Waste Standard Offer Program (EFWSOP) – up to $3.8 billion in cost savings; and
  - Limiting FIT5 procurement target to 150 MW and suspending future FIT procurements – an average annual savings of $15 million.

- ENERGY and its agencies are also considering options to remove costs from the electricity system through efficiencies, other funding sources and supply mix decisions.

1. Bending the Cost Curve – IESO's Market Renewal (cont'd)

- IESO's Market Renewal includes a number of initiatives focused on more efficiently meeting demand over the near and longer terms. Market Renewal includes the following:
  - Introduce a Day-Ahead Market based on a Single Schedule Market to provide greater certainty to market participants and lower the cost of producing electricity.
  - Reduce the cost of scheduling and dispatching resources to meet demand as it changes from hour to hour and minute to minute through Enhanced Real-Time Unit Commitment.
  - More efficiently manage unexpected short-term changes on the system by enabling More Frequent Intertie Scheduling.
  - Improve the way Ontario procures resources to meet our longer-term supply needs by implementing an Incremental Capacity Auction.

Considerations

- An independent third party report estimates that benefits from IESO's Market Renewal could reach up to $5.2 billion over a ten-year period beginning in 2021. Note: IESO has incorporated some of this saving into its current Outlook for electricity system costs and residential bills (i.e., Through reduced capacity payments for generators once their contracts expire).

- In addition to the up to $5.2 billion in estimated benefits, non-quantified benefits are likely to deliver additional value, for example:
  - Inefficiencies in the current market design need to be managed using extensive time and resources including expensive external legal expertise and consultants.

- In other jurisdictions that went through similar changes, actual efficiencies realized have been greater than those expected often because of the non-quantifiable benefits.
  - For example, Southwest Power Pool, a system operator covering 14 U.S. states, realized $1 billion in savings over a two year period compared to an expected saving of $400 million.

2. Bending the Cost Curve – Finding Greater Efficiencies and Savings in the Distribution Sector Savings (cont'd)

- Ontario's distribution sector represents $3.6 billion in annual costs, and typically makes up ~20% of the average residential electricity bill.

- The 2012 Ontario Distribution Sector Review Panel (ODSRP) Report proposed that there was opportunity for $1.7 billion in savings over 10 years through capital planning optimization and operations, maintenance and administrative (OM&A) reductions as a result of LDC consolidation.

- While the ODSRP recommended legislating LDC consolidation, the majority of the savings they identified were in OM&A costs. These cost reductions could be targeted through other regulatory mechanisms, with a stretch savings target of about $135 million, to be sustained year over year.

Considerations

- Through LTEP, the Ministry will request the Ontario Energy Board (OEB) via the LTEP implementation directive to use its authority to create more effective tools to harvest more efficiencies and savings in the distribution sector. Examples of potential mechanisms include:
  - Financial penalties for LDCs who do not meet performance expectations;
  - Requiring LDCs to partner and share back office services; and
  - Modernizing regulatory compliance processes to reduce costs.

- The Ministry will also ask the OEB to revaluate its performance mechanisms to ensure that high-cost LDCs are becoming more efficient through the years and ensure clear metrics are in place to allow for proper evaluations of the low performing LDCs (e.g. further strengthen the scorecard that is already in place by the OEB that evaluates LDCs on various metrics and make it publicly available).

PROVINCIAL GUARANTEE AND OTHER FINANCING ISSUES

ISSUE

To support the Fair Hydro Plan, OPG is requesting that the Government of Ontario provide a guarantee to the OPG Financing Entity and prospective debt holders such that the funding obligations of the Financing Entity will be met by the Province under certain circumstances.

TERMS OF THE GUARANTEE

Events that would activate the Provincial Guarantee:

- Decisions by the Legislative Assembly, i.e., repeal of the Ontario Fair Hydro Plan Act, 2017, or amendments that adversely affect the OPG Financing Entity;
- A court decision that declares any funding obligations of the Financing Entity to be unenforceable; and
- Changes to the organization, structure or operations of IESO adversely impacting the Financing Entity.

Guarantee:

- The Province would take over the obligations of the Financing Entity including principal and interest payments on debt issued to date and any outstanding payments to service providers (i.e., trustees, auditors).
- The Provincial guarantee will continue until all obligations of the Financing Entity are fully discharged.

Recommendation:

- Pending review by MOF Legal, Energy Legal and external counsel (Blake's), recommend TB/MBC approve the terms of the Guarantee as set out in the term sheet and further detailed in the draft guarantee document to be provided by OPG.

OTHER FINANCING/ACCOUNTING RISKS TO BE RESOLVED

Commingling Risk:

- Refers to the risk associated with unrated/below investment grade Local Distribution Companies (LDCs) not remitting collections from ratepayers to the IESO.
- IESO to provide either a Letter of Credit or assume responsibility for this risk amounting to the expected Clean Energy Adjustment from these LDCs over the

next 45-60 days. OPG estimates the Letter of Credit to be approximately $50 million.
- IESO expressed concerns both from a mandate and accounting perspective on issuing either a Letter of Credit or assuming responsibility for the commingling risk.

Warehouse Takeout Risk:

- Refers to the risk associated with the Financing Entity unable to issue debt in order to pay down the short term financing provided by its banks.
- There may be potential costs to the ratepayer in the form of higher interest rates from the step–up pricing clause in the Financing Entity's agreement with the banks providing the short term financing.

NEXT STEPS

- MOF Legal, Energy Legal and external counsel (Blake's) to review term sheet and draft guarantee document
- OPG/IESO to consider outstanding financing/accounting issues
- TB/MBC decision on Provincial Guarantee (September TBC)

Ontario Financing Authority
August 15, 2017

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Usman Zahid; Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Group
Date:	Wednesday, January 10, 2018 6:37:25 PM
Attachments:	OFHP Matrix and Outstanding Business Issues - Jan 11_Clean.docx ATT00001.htm Technical Briefing Ontario Fair Hydro Plan Global Adjustment Jan 10 (002....pptx ATT00002.htm Agenda_Weekly Rate Mitig Implmentation Group_Jan 8.docx ATT00003.htm

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Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: January 10, 2018 at 6:06:32 PM EST
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "'jeffrey.lyash@opg.com'" <jeffrey.lyash@opg.com>, "HARTWICK Ken -FINANCE (ken.hartwick@opg.com)" <ken.hartwick@opg.com>, "Kim Marshall (Kim.Marshall@ieso.ca)" <Kim.Marshall@ieso.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, 'Michael Boll' <Michael.Boll@ieso.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, 'Dianne Hayes' <Dianne.Hayes@ieso.ca>, "ROWE Jennifer -CORPAFFAIRS" <jennifer.rowe@opg.com>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Tresise, Landon (ENERGY)" <Landon.Tresise@ontario.ca>, "Berry, James (ENERGY)" <James.Berry5@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Skoberne, Vivienne (TBS)" <Vivienne.Skoberne@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Manoharan, Kesayini (MEDG/MRIS)" <Kesayini.Manoharan@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Armstrong, Hillary (ENERGY)" <Hillary.Armstrong@ontario.ca>, "Laughton, Patrick (TBS)"

<Patrick.Laughton@ontario.ca>, "catriona.king@opg.com"
<catriona.king@opg.com>, Jordan Penic <jordan.penic@ieso.ca>, 'David Barrett'
<david.barrett@ieso.ca>
Subject: Rate Mitigation Implementation Group

Hi everyone,

Attached are the materials for tomorrow's meeting.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of January 11, 2018

Global Adjustment (GA) Refinancing – Business Issues / Implementation

Issue	Overview	Supporting Documentation	Timing / Next Steps
OPG's Financing Plan / Market Activity	• OPG, as Financial Services Manager (FSM), to provide a Financing Plan in accordance with legislation, to evaluate the incurrence of funding obligations consistent with the FAA	• Minister's FAA letter to OPG • Financing Plan • Transaction Documents	• On December 21, 2017: OPG purchased the regulatory asset via the warehouse facility **Timing / Next Steps:** • Finalize Transaction Documents in January • January 22 (TBC): OPG to proceed with initial issuance of term debt
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement – Complete • MOU between OFA and Energy – Complete • First Share Subscription Form-Complete • Amendment to Articles Signed – Complete	**Timing / Next Steps:** • Next asset transfer/equity injection expected to take place in March 2018. Note: First equity injection closed on December 20

Ontario's Fair Hydro Plan – Implementation Matrix of Other Items

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation
2) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • MCSS has begun work to enroll social assistance (SA) clients to OESP, and is directly contacting these clients by phone and letters. The temporary call center is operational and OESP posters and brochures are being distributed to SA offices. • OEB and MCSS and working together on aligning software systems to electronically automate enrollment of SA clients into OESP. Targeting summer 2018 for completion. • Work is underway to implement a solution to the requirement for wet signatures, and is expected for Q1 2018. • Ministry is targeting a January 23 LRC date to proclaim OEBA amendments to shift the OESP to the tax base. The current OESP regulation is OESP variance account is expected to deplete in February 2018, and mechanisms to compensate program delivery partners through the tax base needs to be in place for that date. • OESP administration will remain with the OEB until such time that the Ministry has adequate resources to assume responsibility for the program.	• LRC on January 23 for proclaiming OEBA provisions and replacement OESP regulation

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Receiving regular updates from H1 on enrollment
4) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • October 12 – Soft launch of microsite and 1-800 number • October 24 – Formal announcement in Hamilton involving the Minister of Energy • On October 24 – Trustees held a webinar with 200 participants to overview program design, walk-through the web site, and answer distributor questions • November 2017 – Affordability Fund Trust (AFT) entered into a Memorandum of Understanding with Ontario 211 services to support community engagement related activities (e.g. call referrals, consultations) • As of December 14 – 1,448 applications sent to Hydro One or the over 40 active/pending participating distributors • December 18 – AFT and IESO meeting with ENERGY to discuss changes to HAP income-eligibility requirements and effect on Affordability Fund eligible population. • Next Trustee meetings scheduled for January 11, 2018 • The AFT expects to enter into agreements with interested electricity distributors starting January 2018 (Hydro One will deliver the program in service areas of those distributors who do not apply) • ENERGY has shared draft TPA amendments with the AFT to require use of the Ontario logo in Fund marketing and communications, and is waiting for the Trustees to sign	**Early 2018:** • February 2018: Report back to TB/MBC through the PRRT process with final program details and a performance management framework including outcome measures and targets. • The Fund will have an iterative design process to support continuous improvement, and will revisit design elements every 6 months and measures every 3 months • ENERGY can apply for additional funds through an in-year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
6) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI. Ministry finalizing OCC's expansion proposal • Ministry finalizing CME proposal	• Quarterly Report Backs re ICI to TBS / MBC
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	Recent Actions Items • Work with agencies ongoing	• Continue this work as part of 2017 LTEP implementation

Technical Briefing – Financing Update For Ontario's Fair Hydro Plan

February 2017

DRAFT

Ontario's Fair Hydro Plan – Context

- Ontario's Fair Hydro Plan (OFHP) was introduced to provide rate relief to residential consumers, farms, most small businesses, long-term care homes and condominiums.

- OFHP is comprised of a series of initiatives, including the refinancing of a portion of Global Adjustment (GA.

- Refinancing the GA, which pays for the bulk of the recent investments in the electricity system, provides rate relief by matching the cost of electricity investments with the expected useful life of the generation that has been built.

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Ontario's Fair Hydro Plan – Context (cont'd)

- Since the March 2, 2017 OFHP announcement, a number of key milestones have been reached in the implementation of OFHP, including:
  - May 1, 2017: Partial Global Adjustment (GA) refinancing incorporated into the OEB's Regulated Price Plan (RPP) report;
  - June 1, 2017: The Fair Hydro Act, 2017 (FHA) received Royal Assent;
  - June 15, 2017: Regulations to enable new and enhanced electricity social programs and shift associated program cost from the rate-base to tax-base came into effect; and
  - July 1, 2017: The full 25% reduction of electricity bill came into effect on July 1, 2017, including the 8% HST rebate.

- OPG has been working with the government, the Independent Electricity System Operator (IESO), the Ontario Energy Board (OEB) and legal, financial and energy sector third-party experts on the implementation of OFHP.

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Role of Ontario Power Generation (OPG)

- The OHFP identified OPG as the Financial Services Manager (FSM) assigned to develop the financing plans and manage the Fair Hydro Trust, which manages the debt obligations associated with GA refinancing.

- OPG has extensive experience in the Ontario energy market, capital markets, regulation and fund management and will ensure that the refinancing will be done in the most efficient and cost-effective manner.

  - In addition to executing hundreds of millions in project financing over the past several years, OPG completed its first bond offering in the Canadian public market with $500 million unsecured 10-year bonds in October 2017.

  - OPG currently manages approximately $20 billion in nuclear funds through the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, and $15 billion in pension funds.

  - OPG has developed solid investor relationships and has a large investor base in the structured finance space for financing Ontario's Fair Hydro Plan (OFHP) initiative.

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OPG's Fair Hydro Trust

- On November 22, 2017, OPG's Board of Directors approved OPG's plan for participation in OFHP and to act as the FSM.
    - The OPG's Fair Hydro Trust was established on Dec 20, 2017

- Rating agencies have assigned ratings of:
    - Senior Debt: xxx Moody's, yyy DBRS;
    - Subordinated Debt: xxx Moody's yyy DBRS; and [NTD: do we need to include for sub debt?]
    - Junior Subordinated Debt: xxx Moody's yyy DBRS [NTD: do we need to include for sub debt?].

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OPG's Fair Hydro Trust – Financing to Date

- By mid-December, $1.2 billion in GA payments have been deferred under OFHP and held by IESO.
- OPG's Fair Hydro Trust purchased this asset in December 2017, and the purchase was financed as follows:
  - Borrowing by the Trust through a bank syndicate in December, which was refinanced in February by senior debt from capital markets [$610 million] (51%);
  - Equity injection by the Province [$530 million] (44%) invested as subordinated debt in the Trust; and
  - OPG subordinated debt in the Trust [$60 million] (5%) already raised through the initial borrowing.
- [NTD: Placeholder about success/level of interest in the offering]
- For comparison purposes, OPG's debt financing in October 2017 was priced at 3.32%

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Debt Offering Summary

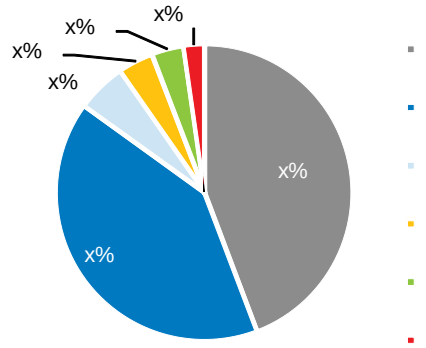
[NTD: Do we need this slide or is it just too detailed]

TERMS SUMMARY

Issuer	Fair Hydro Trust .
Pricing Date	xx-Feb-18
Settlement Date	xx-Feb-18
Ratings (DBRS/Moodys)	xxx
Amount	$xxx million
Coupon	x.xx%
Coupon Dates	xxx and xxx
Maturity Date	x-xxx-xx
Spread vs. Benchmark	+xx bps (credit: +xx bps, curve: +xx bps)
GoC Curve	GoC x.xx% due xx, xxxx GoC x.xx% due xx, xxxx
GoC Benchmark	GoC x.xx% due xx, xxxx
Benchmark Price/ Yield	$xx.xx / x.xx%
Price	$xxxx
Yield	x.xxx%
Syndicate	xxxx

1. Co-Lead Agent & Bookrunner.

INVESTOR LOCATION



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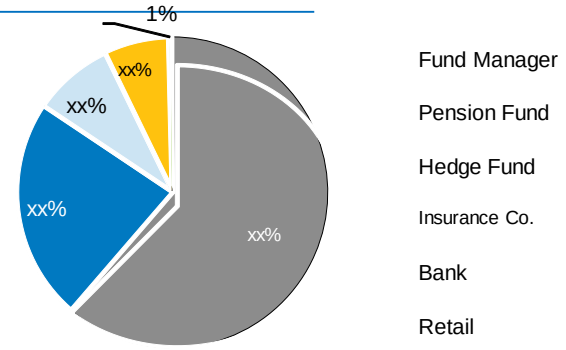
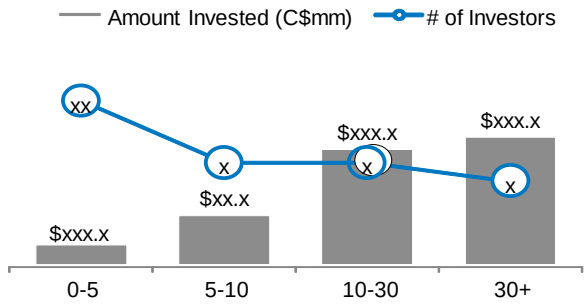


ALLOCATION HISTOGRAM(1)



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OPG's Fair Hydro Trust – Financing Moving Forward

- In subsequent months it is expected that OPG's Fair Hydro Trust will purchase subsequent assets from IESO (i.e., approximately $200 million per month) and raise any required financing
- A second round of borrowing will take place in [Q2 – 2018] to provide the long term financing for the Trust
- The Trust will continue to borrow funds through the debt markets a few times each year to purchase assets from the IESO

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Reporting Requirements

- Due to OPG's ownership and control over the key activities of the OPG's Fair Hydro Trust, OPG will consolidate the financial results of the Trust in accordance with US GAAP.
- OPG will report the financial results of the Trust's operations as part of its regular quarterly and annual reporting process
- The Trust's activities will be reported as a separate segment in OPG's overall results
- The Trust's financial results will also be reported directly to the Province as OPG's shareholder.

Questions?

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
January 11, 2017

Agenda

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
    - OPG's Market Activities – Rollout (All)

2) Public Accounts (All)

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From:	Gadi Mayman on behalf of Serge Imbrogno (ENERGY)
To:	Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); "peter.gregg@ieso.ca"; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Gadi Mayman; Tim Christie (ENERGY); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Francesca Bungaro-Yemec (ENERGY); Manoharan, Kesayini (MEDG/MRIS); Murray, Maud (ENERGY/MEDG/MRIS/MOI); Yordi, Samer (ENERGY); "Dianne Hayes"; Hillary Armstrong (ENERGY); Tresise, Landon (ENERGY); Berry, James (ENERGY)
Cc:	Moore, Karen (CAB); Sunita Chander (ENERGY)
Subject:	Fwd: Rate Mitigation Implementation Group
Start:	Thursday, January 11, 2018 9:30:00 AM
End:	Thursday, January 11, 2018 10:15:00 AM
Location:	900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom
Attachments:	mime-attachment.ics ATT00001.htm

Begin forwarded message:

From: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca <mailto:Serge.Imbrogno@ontario.ca> >
Date: January 4, 2018 at 3:52:51 PM EST
To: "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca <mailto:Andrew.Teliszewsky@ontario.ca> >, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca <mailto:Carys.Baker@ontario.ca> >, "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca <mailto:Steen.Hume@ontario.ca> >, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca <mailto:Carolyn.Calwell@ontario.ca> >, "'jeffrey.lyash@opg.com <mailto:jeffrey.lyash@opg.com> '" <jeffrey.lyash@opg.com <mailto:jeffrey.lyash@opg.com> >, "catriona.king@opg.com <mailto:catriona.king@opg.com> " <catriona.king@opg.com <mailto:catriona.king@opg.com> >, "HARTWICK Ken -FINANCE (ken.hartwick@opg.com <mailto:ken.hartwick@opg.com>)" <ken.hartwick@opg.com <mailto:ken.hartwick@opg.com> >, "Kim Marshall (Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca>)" <Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca> >, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca <mailto:Kaili.Sermat-Harding@ontario.ca> >, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca <mailto:Matthew.Edwards@ontario.ca> >, "McLean, David (MOF)" <David.McLean@ontario.ca <mailto:David.McLean@ontario.ca> >, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca <mailto:Kyle.MacIntyre@ontario.ca> >, "'peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> '" <peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> >, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca <mailto:Karen.Hughes@ontario.ca> >, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca <mailto:Helen.Angus@ontario.ca> >, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca <mailto:Scott.Thompson@ontario.ca> >, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca <mailto:Steven.Davidson@ontario.ca> >, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com <mailto:carlo.crozzoli@opg.com> >, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca <mailto:Matt.Whittington@ontario.ca> >, 'LEE John -TREASURY' <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca <mailto:Martin.Schlaepfer@ontario.ca> >, 'Michael Boll' <Michael.Boll@ieso.ca <mailto:Michael.Boll@ieso.ca> >, '"David Barrett"' <david.barrett@ieso.ca <mailto:david.barrett@ieso.ca> >, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca <mailto:Francesca.Bungaro-Yemec@ontario.ca> >, "Manoharan, Kesayini (MEDG/MRIS)" <Kesayini.Manoharan@ontario.ca <mailto:Kesayini.Manoharan@ontario.ca> >, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca <mailto:Maud.Murray3@ontario.ca> >, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca <mailto:Samer.Yordi@ontario.ca> >, 'Dianne Hayes' <Dianne.Hayes@ieso.ca <mailto:Dianne.Hayes@ieso.ca> >, "Armstrong, Hillary (ENERGY)" <Hillary.Armstrong@ontario.ca <mailto:Hillary.Armstrong@ontario.ca> >, "Tresise, Landon (ENERGY)" <Landon.Tresise@ontario.ca <mailto:Landon.Tresise@ontario.ca> >, "Berry, James (ENERGY)" <James.Berry5@ontario.ca <mailto:James.Berry5@ontario.ca> >
Cc: "Moore, Karen (CAB)" <Karen.Moore4@ontario.ca <mailto:Karen.Moore4@ontario.ca> >, "Chander, Sunita (ENERGY)" <Sunita.Chander@ontario.ca <mailto:Sunita.Chander@ontario.ca> >
Subject: Rate Mitigation Implementation Group

From:	Serge Imbrogno (ENERGY)
To:	Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); "peter.gregg@ieso.ca"; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Gadi Mayman; Tim Christie (ENERGY); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Francesca Bungaro-Yemec (ENERGY); Manoharan, Kesayini (MEDG/MRIS); Murray, Maud (ENERGY/MEDG/MRIS/MOI); Yordi, Samer (ENERGY); "Dianne Hayes"; Hillary Armstrong (ENERGY); Tresise, Landon (ENERGY); Berry, James (ENERGY)
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To:	Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); "peter.gregg@ieso.ca"; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Keley Katona (ENERGY); Joseph Pau (MEDTE/MRI); Murray, Maud (ENERGY); Ridd, Carl (ENERGY); "Dianne Hayes"
Cc:	Moore, Karen (CAB)
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End:	Thursday, November 23, 2017 9:30:00 AM
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Begin forwarded message:

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Date: October 19, 2017 at 1:03:53 PM EDT
To: "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca <mailto:Andrew.Teliszewsky@ontario.ca> >, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca <mailto:Carys.Baker@ontario.ca> >, "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca <mailto:Steen.Hume@ontario.ca> >, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca <mailto:Scott.Nelms@ontario.ca> >, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca <mailto:Carolyn.Calwell@ontario.ca> >, "'jeffrey.lyash@opg.com <mailto:jeffrey.lyash@opg.com> '" <jeffrey.lyash@opg.com <mailto:jeffrey.lyash@opg.com> >, "catriona.king@opg.com <mailto:catriona.king@opg.com> " <catriona.king@opg.com <mailto:catriona.king@opg.com> >, "HARTWICK Ken -FINANCE (ken.hartwick@opg.com <mailto:ken.hartwick@opg.com>)" <ken.hartwick@opg.com <mailto:ken.hartwick@opg.com> >, "Kim Marshall (Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca>)" <Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca> >, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca <mailto:Kaili.Sermat-Harding@ontario.ca> >, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca <mailto:Matthew.Edwards@ontario.ca> >, "McLean, David (MOF)" <David.McLean@ontario.ca <mailto:David.McLean@ontario.ca> >, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca <mailto:Kyle.MacIntyre@ontario.ca> >, "'peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> '" <peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> >, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca <mailto:Karen.Hughes@ontario.ca> >, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca <mailto:Helen.Angus@ontario.ca> >, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca <mailto:Scott.Thompson@ontario.ca> >, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca <mailto:Steven.Davidson@ontario.ca> >, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com <mailto:carlo.crozzoli@opg.com> >, "Montgomery, Kaitlin (MOF)" <Kaitlin.Montgomery@ontario.ca <mailto:Kaitlin.Montgomery@ontario.ca> >, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >, "Leung, Thomas (MOF)" <Thomas.Leung@ontario.ca <mailto:Thomas.Leung@ontario.ca> >, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca <mailto:Matt.Whittington@ontario.ca> >, "'LEE John -TREASURY'" <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca <mailto:Martin.Schlaepfer@ontario.ca> >, 'Michael Boll' <Michael.Boll@ieso.ca <mailto:Michael.Boll@ieso.ca> >, "'David Barrett'" <david.barrett@ieso.ca>, "Loeffler, Joshua (ENERGY)" <SOM.1Joshua.Loeffler@ontario.ca <mailto:SOM.1Joshua.Loeffler@ontario.ca> >, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca <mailto:Francesca.Bungaro-Yemec@ontario.ca> >, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca <mailto:Keley.Katona@ontario.ca> >, "Pau, Joseph (MEDG/MRIS)" <Joseph.Pau@ontario.ca <mailto:Joseph.Pau@ontario.ca> >, "Murray, Maud (ENERGY)" <Maud.Murray3@ontario.ca <mailto:Maud.Murray3@ontario.ca> >, "Ridd, Carl (ENERGY)" <Carl.Ridd@ontario.ca <mailto:Carl.Ridd@ontario.ca> >, 'Dianne Hayes' <Dianne.Hayes@ieso.ca <mailto:Dianne.Hayes@ieso.ca> >
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Subject: Rate Mitigation Implementation Group

From:	Serge Imbrogno (ENERGY)
To:	Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); "peter.gregg@ieso.ca"; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Gadi Mayman; Tim Christie (ENERGY); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Francesca Bungaro-Yemec (ENERGY); Manoharan, Kesayini (MEDG/MRIS); Murray, Maud (ENERGY/MEDG/MRIS/MOI); Yordi, Samer (ENERGY); "Dianne Hayes"; Hillary Armstrong (ENERGY); Tresise, Landon (ENERGY); Berry, James (ENERGY)
Cc:	Moore, Karen (CAB); Sunita Chander (ENERGY)
Subject:	Rate Mitigation Implementation Group
Start:	Thursday, January 11, 2018 9:30:00 AM
End:	Thursday, January 11, 2018 10:15:00 AM
Location:	900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From: Gadi Mayman on behalf of Serge Imbrogno (ENERGY)

To: Ronald Kwan; Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; catriona.king@opg.com; HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Edwards, Matthew (ENERGY); Feather, Adam (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); peter.gregg@ieso.ca; Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Montgomery, Kaitlin (MOF); Gadi Mayman; Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Matt Whittington (ENERGY); "LEE John -TREASURY"; Martin Schlaepfer (MOF); "Michael Boll"; "David Barrett"; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY); Keley Katona (ENERGY); Joseph Pau (MEDTE/MRI)

Subject: Fwd: Rate Mitigation Implementation Group

Begin forwarded message:

From: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca <mailto:Serge.Imbrogno@ontario.ca> >
To: "Andrew Teliszewsky (ENERGY)" <Andrew.Teliszewsky@ontario.ca <mailto:Andrew.Teliszewsky@ontario.ca> >, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca <mailto:Carys.Baker@ontario.ca> >, "Steen Hume (CAB)" <Steen.Hume@ontario.ca <mailto:Steen.Hume@ontario.ca> >, "Scott Nelms (ENERGY)" <Scott.Nelms@ontario.ca <mailto:Scott.Nelms@ontario.ca> >, "Carolyn Calwell (MCSS)" <Carolyn.Calwell@ontario.ca <mailto:Carolyn.Calwell@ontario.ca> >, "'jeffrey.lyash@opg.com <mailto:jeffrey.lyash@opg.com> '" <jeffrey.lyash@opg.com <mailto:jeffrey.lyash@opg.com> >, "catriona.king@opg.com <mailto:catriona.king@opg.com> " <catriona.king@opg.com <mailto:catriona.king@opg.com> >, "HARTWICK Ken -FINANCE (ken.hartwick@opg.com <mailto:ken.hartwick@opg.com>)" <ken.hartwick@opg.com <mailto:ken.hartwick@opg.com> >, "Kim Marshall (Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca>)" <Kim.Marshall@ieso.ca <mailto:Kim.Marshall@ieso.ca> >, "Kaili Sermat-Harding (ENERGY)" <Kaili.Sermat-Harding@ontario.ca <mailto:Kaili.Sermat-Harding@ontario.ca> >, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca <mailto:Matthew.Edwards@ontario.ca> >, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca <mailto:Adam.Feather@ontario.ca> >, "David McLean (MOF)" <David.McLean@ontario.ca <mailto:David.McLean@ontario.ca> >, "Kyle MacIntyre (MOF)" <Kyle.MacIntyre@ontario.ca <mailto:Kyle.MacIntyre@ontario.ca> >, "peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> " <peter.gregg@ieso.ca <mailto:peter.gregg@ieso.ca> >, "Turnevicius, Lorraine" <lorraine.turnevicius@ieso.ca <mailto:lorraine.turnevicius@ieso.ca> >, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca <mailto:Cindy.Veinot@ontario.ca> >, "Karen Hughes (MGS)" <Karen.Hughes@ontario.ca <mailto:Karen.Hughes@ontario.ca> >, "Helen Angus (MOHLTC)" <Helen.Angus@ontario.ca <mailto:Helen.Angus@ontario.ca> >, "Scott Thompson (CAB)" <Scott.Thompson@ontario.ca <mailto:Scott.Thompson@ontario.ca> >, "Steven Davidson (MTCS)" <Steven.Davidson@ontario.ca <mailto:Steven.Davidson@ontario.ca> >, "'CROZZOLI Carlo -CBUSDEV&STRT'" <carlo.crozzoli@opg.com <mailto:carlo.crozzoli@opg.com> >, "Montgomery, Kaitlin (MOF)" <Kaitlin.Montgomery@ontario.ca <mailto:Kaitlin.Montgomery@ontario.ca> >, "Gadi Mayman" <Gadi.Mayman@ofina.on.ca <mailto:Gadi.Mayman@ofina.on.ca> >, "Tim Christie (ENERGY)" <Tim.Christie@ontario.ca <mailto:Tim.Christie@ontario.ca> >, "Thomas Leung (MEDTE/MRI)" <Thomas.Leung@ontario.ca <mailto:Thomas.Leung@ontario.ca> >, "Matt Whittington (ENERGY)" <Matt.Whittington@ontario.ca <mailto:Matt.Whittington@ontario.ca> >, "'LEE John -TREASURY'" <john.s.lee@opg.com <mailto:john.s.lee@opg.com> >, "Martin Schlaepfer (MOF)" <Martin.Schlaepfer@ontario.ca>, "'Michael Boll'" <Michael.Boll@ieso.ca <mailto:Michael.Boll@ieso.ca> >, "'David Barrett'" <david.barrett@ieso.ca <mailto:david.barrett@ieso.ca> >, "Loeffler, Joshua (ENERGY)" <SOM.1Joshua.Loeffler@ontario.ca <mailto:SOM.1Joshua.Loeffler@ontario.ca> >, "Francesca Bungaro-Yemec (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca <mailto:Francesca.Bungaro-Yemec@ontario.ca> >, "Keley Katona (ENERGY)" <Keley.Katona@ontario.ca <mailto:Keley.Katona@ontario.ca> >, "Joseph Pau (MEDTE/MRI)" <Joseph.Pau@ontario.ca <mailto:Joseph.Pau@ontario.ca> >
Subject: Rate Mitigation Implementation Group

From:	Ronald Kwan
To:	John Kim; Bruno Amara
Cc:	Usman Zahid
Subject:	Fwd: Rate Mitigation Implementation Group
Date:	Thursday, January 11, 2018 9:49:53 AM
Attachments:	OFHP Matrix and Outstanding Business Issues - Jan 11_Clean.docx ATT00001.htm Technical Briefing Ontario Fair Hydro Plan Global Adjustment Jan 10 (002....pptx ATT00002.htm Agenda_Weekly Rate Mitig Implmentation Group_Jan 8.docx ATT00003.htm

---

Hi,

Please review — the deck in particular.

Ron

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** January 10, 2018 at 6:06:32 PM EST
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "'jeffrey.lyash@opg.com'" <jeffrey.lyash@opg.com>, "HARTWICK Ken -FINANCE (ken.hartwick@opg.com)" <ken.hartwick@opg.com>, "Kim Marshall (Kim.Marshall@ieso.ca)" <Kim.Marshall@ieso.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, 'Michael Boll' <Michael.Boll@ieso.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, 'Dianne Hayes' <Dianne.Hayes@ieso.ca>, "ROWE Jennifer -CORPAFFAIRS" <jennifer.rowe@opg.com>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Tresise, Landon (ENERGY)" <Landon.Tresise@ontario.ca>, "Berry, James (ENERGY)" <James.Berry5@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Skoberne, Vivienne (TBS)" <Vivienne.Skoberne@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Manoharan, Kesayini (MEDG/MRIS)"

<Kesayini.Manoharan@ontario.ca>, "Yordi, Samer (ENERGY)"
<Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)"
<Hilary.Cox@ontario.ca>, "Armstrong, Hillary (ENERGY)"
<Hillary.Armstrong@ontario.ca>, "Laughton, Patrick (TBS)"
<Patrick.Laughton@ontario.ca>, "catriona.king@opg.com"
<catriona.king@opg.com>, Jordan Penic <jordan.penic@ieso.ca>, 'David Barrett'
<david.barrett@ieso.ca>
Subject: Rate Mitigation Implementation Group

Hi everyone,

Attached are the materials for tomorrow's meeting.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of January 11, 2018

Global Adjustment (GA) Refinancing – Business Issues / Implementation

Issue	Overview	Supporting Documentation	Timing / Next Steps
OPG's Financing Plan / Market Activity	• OPG, as Financial Services Manager (FSM), to provide a Financing Plan in accordance with legislation, to evaluate the incurrence of funding obligations consistent with the FAA	• Minister's FAA letter to OPG • Financing Plan • Transaction Documents	• On December 21, 2017: OPG purchased the regulatory asset via the warehouse facility **Timing / Next Steps:** • Finalize Transaction Documents in January • January 22 (TBC): OPG to proceed with initial issuance of term debt
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement – Complete • MOU between OFA and Energy – Complete • First Share Subscription Form-Complete • Amendment to Articles Signed – Complete	**Timing / Next Steps:** • Next asset transfer/equity injection expected to take place in March 2018. Note: First equity injection closed on December 20

Ontario's Fair Hydro Plan – Implementation Matrix of Other Items

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation
2) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • MCSS has begun work to enroll social assistance (SA) clients to OESP, and is directly contacting these clients by phone and letters. The temporary call center is operational and OESP posters and brochures are being distributed to SA offices. • OEB and MCSS and working together on aligning software systems to electronically automate enrollment of SA clients into OESP. Targeting summer 2018 for completion. • Work is underway to implement a solution to the requirement for wet signatures, and is expected for Q1 2018. • Ministry is targeting a January 23 LRC date to proclaim OEBA amendments to shift the OESP to the tax base. The current OESP regulation is OESP variance account is expected to deplete in February 2018, and mechanisms to compensate program delivery partners through the tax base needs to be in place for that date. • OESP administration will remain with the OEB until such time that the Ministry has adequate resources to assume responsibility for the program.	• LRC on January 23 for proclaiming OEBA provisions and replacement OESP regulation

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Receiving regular updates from H1 on enrollment
4) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • October 12 – Soft launch of microsite and 1-800 number • October 24 – Formal announcement in Hamilton involving the Minister of Energy • On October 24 – Trustees held a webinar with 200 participants to overview program design, walk-through the web site, and answer distributor questions • November 2017 – Affordability Fund Trust (AFT) entered into a Memorandum of Understanding with Ontario 211 services to support community engagement related activities (e.g. call referrals, consultations) • As of December 14 – 1,448 applications sent to Hydro One or the over 40 active/pending participating distributors • December 18 – AFT and IESO meeting with ENERGY to discuss changes to HAP income-eligibility requirements and effect on Affordability Fund eligible population. • Next Trustee meetings scheduled for January 11, 2018 • The AFT expects to enter into agreements with interested electricity distributors starting January 2018 (Hydro One will deliver the program in service areas of those distributors who do not apply) • ENERGY has shared draft TPA amendments with the AFT to require use of the Ontario logo in Fund marketing and communications, and is waiting for the Trustees to sign	**Early 2018:** • February 2018: Report back to TB/MBC through the PRRT process with final program details and a performance management framework including outcome measures and targets. • The Fund will have an iterative design process to support continuous improvement, and will revisit design elements every 6 months and measures every 3 months • ENERGY can apply for additional funds through an in-year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
6) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI. Ministry finalizing OCC's expansion proposal • Ministry finalizing CME proposal	• Quarterly Report Backs re ICI to TBS / MBC
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	Recent Actions Items • Work with agencies ongoing	• Continue this work as part of 2017 LTEP implementation

Technical Briefing – Financing Update For Ontario's Fair Hydro Plan

February 2017

DRAFT

Ontario's Fair Hydro Plan – Context

- Ontario's Fair Hydro Plan (OFHP) was introduced to provide rate relief to residential consumers, farms, most small businesses, long-term care homes and condominiums.

- OFHP is comprised of a series of initiatives, including the refinancing of a portion of Global Adjustment (GA.

- Refinancing the GA, which pays for the bulk of the recent investments in the electricity system, provides rate relief by matching the cost of electricity investments with the expected useful life of the generation that has been built.

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Ontario's Fair Hydro Plan – Context (cont'd)

- Since the March 2, 2017 OFHP announcement, a number of key milestones have been reached in the implementation of OFHP, including:
  - May 1, 2017: Partial Global Adjustment (GA) refinancing incorporated into the OEB's Regulated Price Plan (RPP) report;
  - June 1, 2017: The Fair Hydro Act, 2017 (FHA) received Royal Assent;
  - June 15, 2017: Regulations to enable new and enhanced electricity social programs and shift associated program cost from the rate-base to tax-base came into effect; and
  - July 1, 2017: The full 25% reduction of electricity bill came into effect on July 1, 2017, including the 8% HST rebate.

- OPG has been working with the government, the Independent Electricity System Operator (IESO), the Ontario Energy Board (OEB) and legal, financial and energy sector third-party experts on the implementation of OFHP.

DRAFT

Role of Ontario Power Generation (OPG)

- The OHFP identified OPG as the Financial Services Manager (FSM) assigned to develop the financing plans and manage the Fair Hydro Trust, which manages the debt obligations associated with GA refinancing.

- OPG has extensive experience in the Ontario energy market, capital markets, regulation and fund management and will ensure that the refinancing will be done in the most efficient and cost-effective manner.

  - In addition to executing hundreds of millions in project financing over the past several years, OPG completed its first bond offering in the Canadian public market with $500 million unsecured 10-year bonds in October 2017.

  - OPG currently manages approximately $20 billion in nuclear funds through the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, and $15 billion in pension funds.

  - OPG has developed solid investor relationships and has a large investor base in the structured finance space for financing Ontario's Fair Hydro Plan (OFHP) initiative.

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OPG's Fair Hydro Trust

- On November 22, 2017, OPG's Board of Directors approved OPG's plan for participation in OFHP and to act as the FSM.
    - The OPG's Fair Hydro Trust was established on Dec 20, 2017

- Rating agencies have assigned ratings of:
    - Senior Debt: xxx Moody's, yyy DBRS;
    - Subordinated Debt: xxx Moody's yyy DBRS; and [NTD: do we need to include for sub debt?]
    - Junior Subordinated Debt: xxx Moody's yyy DBRS [NTD: do we need to include for sub debt?].

DRAFT

OPG's Fair Hydro Trust – Financing to Date

- By mid-December, $1.2 billion in GA payments have been deferred under OFHP and held by IESO.
- OPG's Fair Hydro Trust purchased this asset in December 2017, and the purchase was financed as follows:
  - Borrowing by the Trust through a bank syndicate in December, which was refinanced in February by senior debt from capital markets [$610 million] (51%);
  - Equity injection by the Province [$530 million] (44%) invested as subordinated debt in the Trust; and
  - OPG subordinated debt in the Trust [$60 million] (5%) already raised through the initial borrowing.
- [NTD: Placeholder about success/level of interest in the offering]
- For comparison purposes, OPG's debt financing in October 2017 was priced at 3.32%

DRAFT

Debt Offering Summary

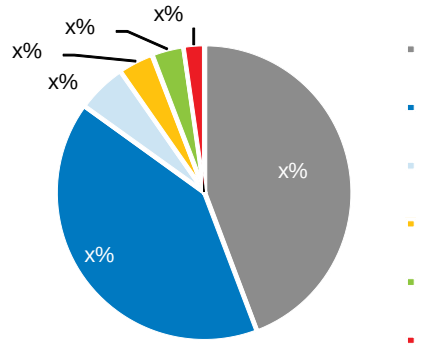
[NTD: Do we need this slide or is it just too detailed]

TERMS SUMMARY

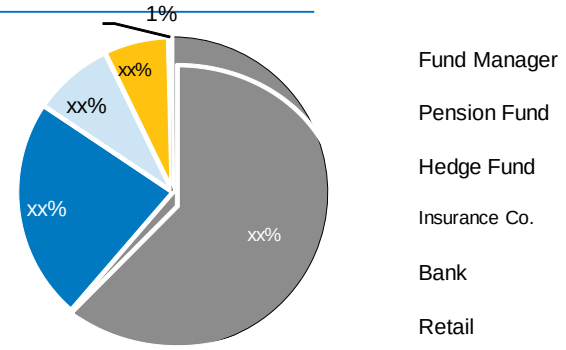
Issuer	Fair Hydro Trust .
Pricing Date	xx-Feb-18
Settlement Date	xx-Feb-18
Ratings (DBRS/Moodys)	xxx
Amount	$xxx million
Coupon	x.xx%
Coupon Dates	xxx and xxx
Maturity Date	x-xxx-xx
Spread vs. Benchmark	+xx bps (credit: +xx bps, curve: +xx bps)
GoC Curve	GoC x.xx% due xx, xxxx GoC x.xx% due xx, xxxx
GoC Benchmark	GoC x.xx% due xx, xxxx
Benchmark Price/ Yield	$xx.xx / x.xx%
Price	$xxxx
Yield	x.xxx%
Syndicate	xxxx

1. Co-Lead Agent & Bookrunner.

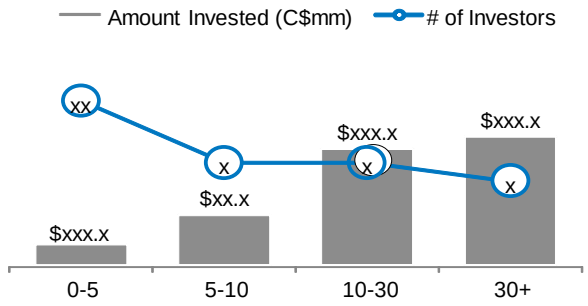
INVESTOR LOCATION



INVESTOR TYPE



ALLOCATION HISTOGRAM(1)



DRAFT

OPG's Fair Hydro Trust – Financing Moving Forward

- In subsequent months it is expected that OPG's Fair Hydro Trust will purchase subsequent assets from IESO (i.e., approximately $200 million per month) and raise any required financing
- A second round of borrowing will take place in [Q2 – 2018] to provide the long term financing for the Trust
- The Trust will continue to borrow funds through the debt markets a few times each year to purchase assets from the IESO

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Reporting Requirements

- Due to OPG's ownership and control over the key activities of the OPG's Fair Hydro Trust, OPG will consolidate the financial results of the Trust in accordance with US GAAP.
- OPG will report the financial results of the Trust's operations as part of its regular quarterly and annual reporting process
- The Trust's activities will be reported as a separate segment in OPG's overall results
- The Trust's financial results will also be reported directly to the Province as OPG's shareholder.

Questions?

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
January 11, 2017

Agenda

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
    - OPG's Market Activities – Rollout (All)

2) Public Accounts (All)

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy; Matthew Breadner
Subject:	Fwd: Rate Mitigation Implementation Meeting - August 24, 2017
Date:	Friday, August 25, 2017 7:05:38 PM
Attachments:	Action Items_Aug 24v2.docx ATT00001.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: August 25, 2017 at 6:25:53 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Chander, Sunita (ENERGY)" <Sunita.Chander@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)"' <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)"' <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)"' <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca"' <jordan.penic@ieso.ca>, "'Turnevicius, Lorraine"' <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com"' <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - August 24, 2017

Hi everyone,

Attached are the action items from yesterday's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: August 23, 2017 6:51 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Chander, Sunita (ENERGY) <Sunita.Chander@ontario.ca>; Calwell, Carolyn (ENERGY/MEDEI/MRI) <Carolyn.Calwell@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; MacIntyre, Kyle (TBS) <Kyle.MacIntyre@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <Adam.Feather@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; 'David Barrett' <david.barrett@ieso.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - August 24, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – August 24, 2017

1) GA Refinancing
    - o General Update (OPG / IESO)
        - Ministry tracking Fair Allocation letter for week of September 11, but further converstaions with OPG are needed
        - Ministry/OPG/IESO to look into mechanism (regulatory line) to pay interest and expenses through GA after the four year moratorium
    - o Provincial Guarantees (OFA/OPG)
        - OPG proposing to build in Government option to pay outstanding obligation should trust no longer be able to pay in the future
        - IESO and OPG to continue discussions about LOC to backstop smaller LDCs without ratings or OPG using a reserve account – need to determine quantum and regulatory authority
        - IGS/OFA to produce summary deck for week of Sept 4
        - All approvals tracking for Sept 27th (TB sub / OIC / S. 28 / Term Sheet / Agreement)
    - o Business Item (OPG/IGS)
        - IGS to provide best timing estimates for PILs, Equity Injection, Subordinated Debt Loan Agreement (between OPG and Trust).

2) Other OFHP Initiatives
    - o RRRP, OESP and FN (SNAP)
        - LDCs have submitted invoices to ministry
    - o Affordability Fund (CRED)
        - Trustees to brief Ministry on August 28

From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy; Matthew Breadner
Subject: Fwd: Rate Mitigation Implementation Meeting - August 24, 2017
Date: Wednesday, August 23, 2017 8:23:00 PM
Attachments: 2017-07-11 Consolidated - OFHP Matrix - Week of August 21.docx
ATT00001.htm
Agenda_Weekly Rate Mitig Implmentation Group_Aug 24 (002).docx
ATT00002.htm
2017 Outstanding Business Issues - Week of Aug 21 - igs.docx
ATT00003.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: August 23, 2017 at 6:50:46 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Chander, Sunita (ENERGY)" <Sunita.Chander@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)"' <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)"' <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)"' <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - August 24, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of August 21, 2017

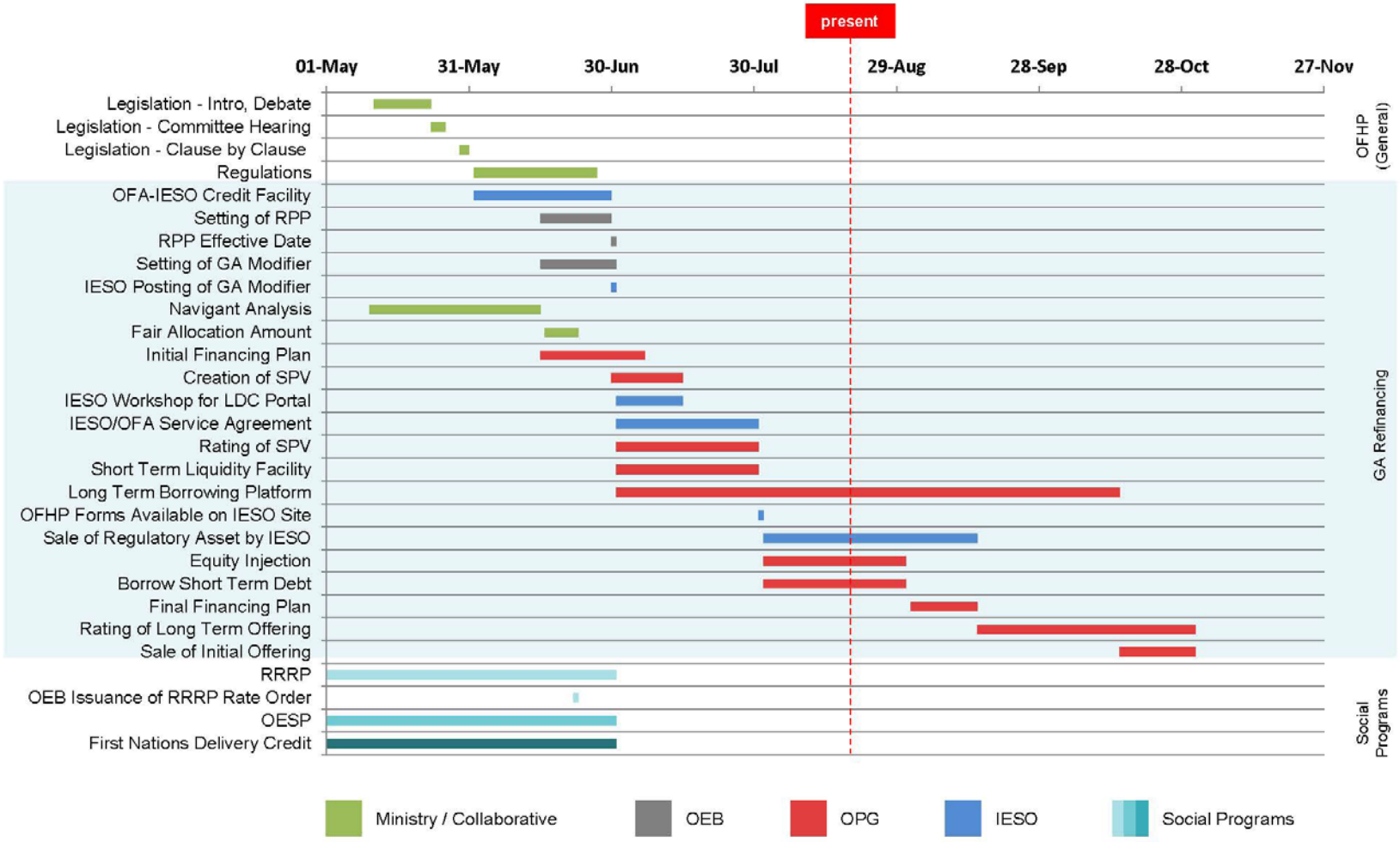
Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Guarantees (i.e., performance / payment, term sheet) – OPG/TBS (OPCD), MOF, OFA and ENERGY held meeting August 10, 2017 to discuss proposed approach to Provincial Guarantee. Additional accounting review on proposed approach is required – OFA will develop proposal summary on the Provincial Guarantee for August 16, 2017 meeting – Note: Initial focus of OPG financing will be on Canadian market o Management Fees Regulation o Interest Collection During the Inflationary Cap Period (OPG, IESO and Energy to work through approach) o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption – MOF/Tax Policy working on comfort letter re: PILs for OPG • OPG continuing work with rating agencies. OPG working to finalize this working by end of September • OPG to go to its Board with OFHP financing plan following direction from August 16, 2017 meeting • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • September 26 – TB/Cabinet Approval and s.28 Approval Provincial Guarantees (TBD). Note: On August 16, OFA and Energy to bring forward proposed approach to Provincial Guarantee to CO/PO discussion • Summer / Fall – OPG Financing (TBD)

Item	Key Deliverables / Considerations	Timing / Next Steps
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program	• Will hold a wrap-up working group teleconference in August.
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP • OEB and MCSS executed MOU (as per recent OEBA amendments) to share information that will support targeted outreach for social assistance clients potentially eligible but not enrolled in OESP • Targeted outreach and automatic SA client enrolment by MCSS to start late September; MCSS to continue developing software solution for automation over next several months • Significant progress on wet signature issue – SNAP continues to work with, MOF, OEB and CRA on solution • SNAP to work with TBS to ensure funds flow from fiscal plan when OESP moves to the tax base	• Week of August 7 – follow-up with CRA on proposed wet signature solution
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	Recent Action Items • All LDCs have indicated they have implemented the program. • Ministry working on post card for FNDC	• Will hold a wrap-up working group teleconference in August.

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	Recent Action Items • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity • Hydro One, in its administrative capacity, is offering back office support and helping coordinate stakeholder engagement on program design for the Board of Trustees (have engaged Accenture to assist) • Stakeholder engagement is underway; preliminary outreach with several LDCs conducted in July and a WebEx and in-person meeting seeking feedback from LDCs on program design held August 1 (~70 participants) • Trustees continue to work through program design concepts and details in order to launch the program as soon as possible • Trustees have agreed to Hydro One's role as administrator • Trustees call held August 11, 2017 (recap of LDC feedback and discussion on program design).	**September 2017:** Target for program launch **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records • TBS advises that AG is tracking for an opinion on Public Accounts (PA) on August 18, which would result in an earliest release by the government of the PA on August 28 (Note: The statutory deadline in September 27)	• Summer – Responding to AG Request (Ongoing)

Item	Key Deliverables / Considerations	Timing / Next Steps
	• IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG • AG attended special meeting of IESO Board on OFHP	
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) Considerations • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

0

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
August 24, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Provincial Guarantees (OFA/OPG)
    - Business Item (OPG/IGS)

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet • ENE/MOF tracking to TB in September for approval **Timing:** TBD
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to determine required monthly process and sign-off mechanism **Timing**: TBD
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: TBD

From:	Gavin He
To:	John Kim; Bruno Amara
Cc:	Ronald Kwan
Subject:	Fwd: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Thursday, April 13, 2017 7:14:23 PM
Attachments:	Action Items - April 13.docx ATT00001.htm

Hi John/Bruno,

FYI.

Regards,
Gavin He

Begin forwarded message:

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Date: April 13, 2017 at 19:08:06 EDT
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>, Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 13, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Thursday, April 13, 2017 6:35 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - April 13, 2017

Please find attached the action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-12-17 5:33 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire

Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

Action Items – April 13, 2017

1) GA Refinancing
    - LSB / Blakes / OPG to ask dealers about whether a rate class can be named as the backstop in legislation instead of individual ratepayers
    - LSB to circulate legislation for review and comment over the weekend
    - OPG Board to meet on May 1 for approval (Committee meetings to occur in advance)
    - TB / MBC to meet at 9am on May 1
    - OEB working to finalize RPP rates and release by April 20
    - OPG to develop note on why we can't revisit the financing structure (51/49)
    - KPMG, E&Y opinions to be provided by May 1
    - Constitutional Law opinion to be provided at a later date
    - 'Navigant Report' tracking for a later date; Ministry and OPG to work together to ensure alignment with internal OPG report for their Board
    - Ministry to work with OFA / TD to support report back to TB / MBC on overall structure and financibility

2) OPG Letter
    - Ministry to turn around comments on letter for end of day April 13

3) Other Items
    - RRRP / OESP / FN Rate
        - Ministry to meet with COO on April 26 re: FN Rate implementation
        - Ministry to develop briefing note on why LDCs with RRRP continue to track to OEB for rate increases
    - ICI
        - CME / OCC outreach continues

4) Other: Ministry to develop deck on bill presentment with high level slides on legislation

From:	Gadi Mayman
To:	Ronald Kwan; Mike Manning; Ken Kandeepan
Cc:	Anna Strathy; Gavin He
Subject:	Fwd: Rate Mitigation Implementation Meeting - April 6, 2017
Date:	Thursday, April 06, 2017 8:08:38 PM
Attachments:	Action Items - April 6.docx ATT00001.htm

Begin forwarded message:

From: "Katona, Keley (ENERGY)" <Keley.Katona@ontario.ca>
Date: April 6, 2017 at 6:24:56 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)" <jeffrey.lyash@opg.com>, "HARTWICK Ken - FINANCE (ken.hartwick@opg.com)" <ken.hartwick@opg.com>, Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>, "Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)" <maryanne.aldred@ontarioenergyboard.ca>, "Campbell, Bruce (bruce.campbell@ieso.ca)" <bruce.campbell@ieso.ca>, "Kim Marshall (Kim.Marshall@ieso.ca)" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "LEE John -TREASURY" <john.s.lee@opg.com>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "jordan.penic@ieso.ca" <jordan.penic@ieso.ca>, "'sarah.branco@ontarioenergyboard.ca'" <sarah.branco@ontarioenergyboard.ca>, "Turnevicius, Lorraine" <lorraine.turnevicius@ieso.ca>, "catriona.king@opg.com" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - April 6, 2017

Attached are the action items from today's meeting.

From: Katona, Keley (ENERGY)

Sent: April-05-17 5:10 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 6, 2017

Good evening,

Please find attached material for tomorrow's meeting.

Keley

Action Items – April 6, 2017

Global Adjustment Refinancing

- Legislation pens down April 21 for May 4 introduction
- OPG / IESO / Blakes to provide feedback on document that will provide instructions to Leg Counsel today
- MOs/PO meeting on Friday
- OPG providing shareholder resolution to OPG Board committee tomorrow and will be provided to Ministry following that
- OEB working with Ministry to finalize comfort letter

Affordability Fund

- Briefing of Advisory Committee scheduled for April 7

RRRP, OESP , FN Rate

- SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each
- SNAP working with MOF / CRA on waiving wet signature

ICI

- ESP / Comms continue to work with chamber of commerce / CME on outreach campaigns to business communities

Bill Presentment

- MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall)

Other Items

- AG meeting on April 19 will walk through a technical briefing deck (OFA / ENERGY / MOF / TBS to attend)

From:	Ronald Kwan
To:	John Kim
Cc:	Gavin He
Subject:	Fwd: Rate Mitigation Implementation Meeting - April 6, 2017
Date:	Wednesday, April 05, 2017 5:28:44 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_Mar 6.docx ATT00001.htm Consolidated - OFHP Matrix - Week of April 3.docx ATT00002.htm FHP Policy Foundations 04 04 2017 v.3.docx ATT00003.htm

---

Hi John,

FYI.

Ron

Begin forwarded message:

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Date: April 5, 2017 at 5:22:25 PM EDT
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>, Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 6, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Wednesday, April 5, 2017 5:09 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 6, 2017

Good evening,

Please find attached material for tomorrow's meeting.
Keley

Keley Katona | Director of Operations
Deputy Minister’s Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca<mailto:Keley.Katona@Ontario.ca>
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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 6, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

3) Bill Presentment (SNAP)

4) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 3, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation • Defining mitigation and recovery mechanism; and • Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg. 95/05) • Shareholder Resolution (work with OPG to determine form) • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market	• IESO Board meeting on April 11, 2017 (TBD) – ESP to present on OFHP • AG briefing on April 19, 2017 (TBD) • Provide comfort level to allow OEB to include in May 2017 RPP • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes will continue to work through legislative drafting issues • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature. • Legislative walk-through and working group meetings Monday and Tuesday • ENERGY / Blakes / IESO / OEB / OPG to meet on Tuesday to work through issues related to legislation • LSB / Blakes to brief OPCD on legislation • KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions • Blakes / OPG to work through financing issues related to 10% cap • Blakes / LSB to work with MAG on a second constitutional law	

Item	Key Deliverables / Considerations	Timing / Next Steps
	opinion from Peter Hogg • TD being engaged through OFA to provide financial advice • ESP to make presentation on GA financing at upcoming IESO Board meeting <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd and March 24th • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 1, 2017 (TBD) • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP/LSB working on LRC package for OESP enhancements • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • Board decision this week on removing OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 1, 2017 (TBD) • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. <u>Considerations</u> • Legislative changes not required.	**April 7, 2017:** • Briefing for Advisory Committee members **April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) • ESP to consider implications of dropping below 500kw threshold due to investments in conservation <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • Ministry preparing responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion on April 19, 2017 (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment	• Initial discussion on March 31, 2017

Policy and Legal Foundations for the Proposed Ontario Fair Hydro Plan Act
April 4, 2017

Creating the Regulatory Framework

- Principles will link the benefit of the "Green Generation Initiative" with the regulatory cost that future rate payers will pay
- Need to name and articulate "Green Generation Initiative"

Fair Allocation Plan

- Policy direction around intergenerational funding will be established by the Minister of Energy
- The Fair Allocation Plan has been determined for the 1st four years, as set out in the March 2nd announcement
- Should there be a process around the Fair Allocation Plan [or as necessary]?
- [Role for the OEB?]

Treasury Plan

- Created by OPG to implement the Fair Allocation Plan
- Will pass through actual costs and expenses of funding obligations incurred
- 3 components:
    - Treasury Plan must be compliant with principles and parameters of the Fair Allocation Plan;
    - The Plan must match maturities to allocations under the Fair Allocation Plan, as well as achieve funding efficiencies and cost management articulated in the Fair Allocation Plan; and
    - Implementation
- Should [Minister?] [OEB?] review [and approve?] the Treasury Plan? At what point in process?

Establishment of the Regulatory Asset

- Right to recover from rate payers, through collection by LDCs and IESO, the regulatory charge, late fees, interest established by legislation
- IESO may dispose of (by assignment, transfer, sale, etc.) its right, title and interest in the Regulatory Asset
- Legislation will create property rights and allow for security interests in the Regulatory Asset
- [Role of the OEB in establishing the Regulatory Asset?]
- Role of OPG in acquiring the asset?

Ensuring Collectability

- Clearly defined class of rate payers that receive and pay for the benefit
- Charges are irrevocable
- LDCs have duty to invoice rate payers for the charge
- IESO and LDCs have duty to collect charges as agent and pay remittances to IESO
- IESO has duty to pay remittances to the Regulatory Asset Owner
- Non-by-passability – subject rate payers who opt to go off grid to a penalty (prepayment)?
- True up mechanism to reconcile collections with incurrences
- Province shall not take steps to reduce, alter, impair or terminate the Regulatory Asset or collection

OEB Role

- [Inspect books and records?]

DRAFT

- [Approve administrative costs?]
- [Prudence review of financing costs?]
- [Consequences of OEB review?]
    - Ability to review
    - Ability to review and make recommendations (non-binding)
    - Review and approve or refer back for reconsideration (binding)

Provincial Guarantee

- Scope / Triggers / Consequences / Form

DRAFT

From:	Ronald Kwan
To:	John Kim
Subject:	Fwd: Rate Mitigation Implementation Meeting - August 31, 2017
Date:	Wednesday, August 30, 2017 9:21:11 PM
Attachments:	2017-07-11 Consolidated - OFHP Matrix - Week of August 28.docx ATT00001.htm Agenda_Weekly Rate Mitig Implmentation Group_Aug 28.docx ATT00002.htm Fees Rider 28 August 2017.docx ATT00003.htm 2017 Outstanding Business Issues - Week of Aug 21 - updates.docx ATT00004.htm

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Begin forwarded message:

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Date: August 30, 2017 at 8:42:03 PM EDT
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>, Matthew Breadner <Matthew.Breadner@ofina.on.ca>, Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - August 31, 2017

I don't know if anyone from the OFA was planning to attend, but, if so, here are the materials.

Gadi

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, August 30, 2017 8:20 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Ken Nakahara (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS); Michael Boll
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett; Keley Katona (ENERGY)
Subject: Rate Mitigation Implementation Meeting - August 31, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,

Martin

Implementation of Ontario's Fair Hydro Plan
Week of August 28, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Supporting Agreement (i.e., performance / payment, term sheet) – OPG/TBS (OPCD), MOF, OFA and ENERGY met on August 10, 2017 to discuss proposed approach to Provincial Guarantee. Additional accounting review on proposed approach is required – OPG proposing to prepare an option for Government to pay outstanding obligation should OPG/Trust no longer be able meet financing obligations – IESO and OPG to continue discussions regarding the letter of credit to backstop smaller LDCs without ratings or using a reserve account – need to determine quantum – IGS/OFA to prepare summary deck for week of September 4, 2017 – Note: Initial focus of OPG financing will be on Canadian market o Management Fees Regulation o Interest Collection During the Inflationary Cap Period (OPG, IESO and Energy to work through approach) o Ministry/OPG to look into mechanism (regulatory line) to pay interest and expenses through GA after the 4 year moratorium o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • Week of September 11 – Minister's Fair Allocation Amount letter, following preliminary discussions with OPG • September 27 – TB/Cabinet Approval and s.28 Approval Supporting Agreement (TBD) • Late November 2017 – OPG Financing (TBD)

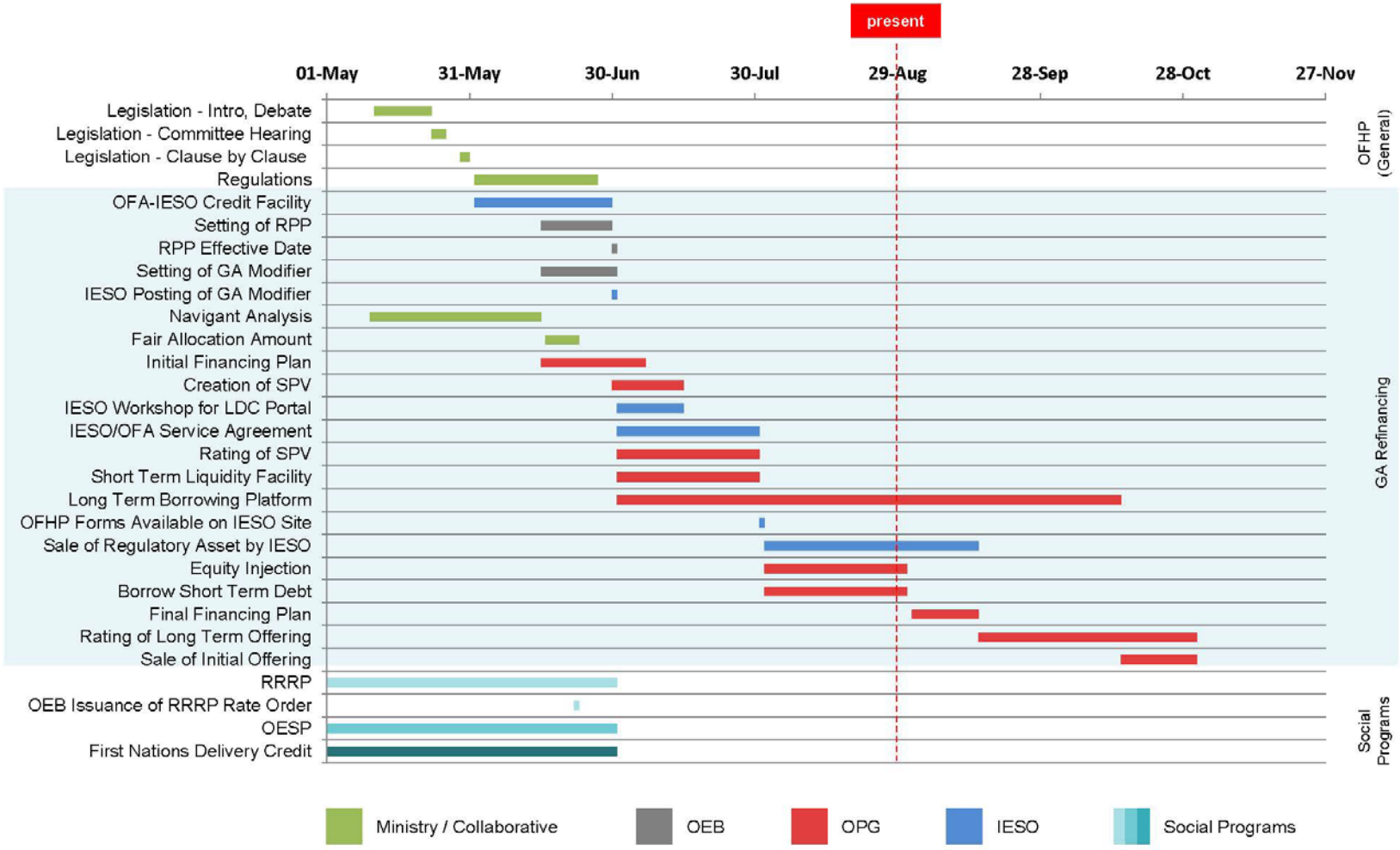
Item	Key Deliverables / Considerations	Timing / Next Steps
	– MOF/Tax Policy working on comfort letter re: PILs for OPG – IGS to provide best timing estimates for PILs, Equity Injection, Subordinated Debt Loan Agreement (between OPG and Trust) • OPG continuing work with rating agencies. OPG working to finalize this working by end of September • OPG to go to its Board with OFHP financing plan following direction from August 16, 2017 meeting • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program	• Will hold a wrap-up working group teleconference in August.
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP • OEB and MCSS executed MOU (as per recent OEBA amendments) to share information that will support targeted outreach for social assistance clients potentially eligible but not enrolled in OESP • Targeted outreach and automatic SA client enrolment by MCSS to start late September; MCSS to continue developing software solution for automation over next several months	• Week of August 7 – follow-up with CRA on proposed wet signature solution

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Significant progress on wet signature issue – SNAP continues to work with, MOF, OEB and CRA on solution • SNAP to work with TBS to ensure funds flow from fiscal plan when OESP moves to the tax base	
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • Ministry working on post card for FNDC	• Will hold a wrap-up working group teleconference in August.
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity • Hydro One, in its administrative capacity, is offering back office support and helping coordinate stakeholder engagement on program design for the Board of Trustees (have engaged Accenture to assist) • Stakeholder engagement is underway; preliminary outreach with several LDCs conducted in July and a WebEx and in-person meeting seeking feedback from LDCs on program design held August 1 (~70 participants) • Trustees continue to work through program design concepts and details in order to launch the program as soon as possible • Trustees have agreed to Hydro One's role as administrator	**September 2017:** Target for program launch **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Trustees call held August 11, 2017 (recap of LDC feedback and discussion on program design) • Trustees to brief Ministry on August 28	
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records • TBS advises that AG is tracking for an opinion on Public Accounts (PA) on August 18, which would result in an earliest release by the government of the PA on August 28 (Note: The statutory deadline in September 27) • IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG • AG attended special meeting of IESO Board on OFHP	• Summer – Responding to AG Request (Ongoing)
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		

Item	Key Deliverables / Considerations	Timing / Next Steps
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
August 31, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Supporting Agreement (OFA/OPG)
    - Business Item (OPG/IGS)
    - Fees (ENERGY)

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

FEES RIDER – subs. 19 (3) of the Act – August 28, 2017

1. (1) For the purposes of subsection 19 (3) of the Act, the Financial Services Manager may establish and charge fees to financing entities in relation to the following matters:

1. The services provided by the Financial Services Manager to financing entities, which may include services related to planning, financing, negotiation and execution of agreements, front office services and administrative services.

2. The costs of doing anything that the Financial Services Manager is required or permitted to do under the Act.

(2) The fees mentioned in subsection (1) may provide for a fixed fee and a variable fee based on performance.

2.(1) The fixed fee shall be equal to the reasonable cost of services provided to all financing entities plus a reasonable rate of return.

(2) The variable fee shall be calculated as follows:

$$(A \times (B - C)) \times 5\%$$

Where,

A = the principal amount of all tranches of incremental annual funding obligations,

B = the forecasted weighted interest rate of incremental annual funding obligations, and

C = the actual weighted interest rate of incremental annual funding obligations.

(3) For the purposes of subsection (2), incremental annual funding obligation means the aggregate of all funding obligations issued by all financing entities in a calendar year, including senior debt and subordinated debt.

(4) The variable fee payable for any calendar year shall not be

1. more than 1% of (5% × the incremental annual funding obligations), or

2. less than -1% of (5% × the incremental annual funding obligations).

(5) If the variable fee is a negative amount, such amount shall be deducted from the fixed fee payable in the following calendar year in twelve equal monthly instalments.

3.(1) When the Financial Services Manger submits its proposed fees to the Board, the Financial Services Manager shall provide the following:

1. The methodology that the Financial Services Manager has used to calculate its proposed fixed and variable fees.

2. The methodology that the Financial Services Manager has used to benchmark the each component of the proposed fee.

3. The period of time during which the Financial Services Manager is proposing to charge its proposed fee.

5. The identity of the financing entities that are required to pay the proposed fees.

6. Such other information as the Board may require.

(2) The Board is not bound by any methodology or benchmark provided to it by the Financial Services Manager under subsection (1).

(3) The Board may approve the proposed fees or proposed amendments or may refer the proposal back to the Financial Services Manager for further consideration with the Board's recommendations.

(4) Fees established by the Financial Services Manager and approved by the Board shall be included in the definition of "expenses" for the purposes of determining finance amounts under the Act.

4.(1) The Financial Services Manager may from time to time, but not more than once in any 12 month period, submit proposed amendments to its fees to the Board.

(2) If the Financial Services Manager submits proposed amendments, the proposed amendments shall be submitted no later than 120 days before the Financial Services Manager intends for the fees to be charged.

(3) Subsections (1) and (2) do not apply in the first 12 months after this regulation comes into force.

5.(1) Section 3 applies with such modifications as the context may require to any application by the Financial Services Manager for approval to amend its fees.

6.(1) Where there is more than one financing entity, the total amount payable by a financing entity in respect of fees shall be proportional to the services that it receives from the Financial Services Manager.

7.(1) Upon approving the first fee submitted by the Financial Services Manager, the Board may make it retroactive to a date prior to the date of the Board's approval and not earlier than July 1, 2017.

(2) The Financial Services Manager shall establish a deferral account in connection with subsection 19(3) of the Act that records costs incurred by the Financial Services Manager in providing services referred to in section 1 during the period from July 1, 2017 to the day before the date of the Board's first order under subsection 19(3) of the Act.

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OPG/MOF/ENE to discuss respective comments on the term sheet • ENE/MOF tracking to TB in September for approval **Timing:** Sept 26 TB/MBC
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to determine required monthly process and sign-off mechanism **Timing**: Late Sept/Early Oct
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: Late Sept
OEB Rate & Fees	• OPG is allowed to charge a management fee for its services made up of 1)base fee and 2) performance fee	• Draft Base Fee framework • Draft Performance Fee framework • Regulation	• OPG, ENE and OFA to determine role of OEB in determining fees OPG charges **Timing**: Regulation by the fall

From:	Gadi Mayman
To:	Mike Manning; Ronald Kwan; Ken Kandeepan
Cc:	Anna Strathy; Usman Zahid
Subject:	Fwd: Rate Mitigation Implementation Meeting - December 7, 2017
Date:	Wednesday, December 06, 2017 8:20:14 PM
Attachments:	Fair Hydro Plan Summary Timeline R3.docx ATT00001.htm

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The timing if the bond issues is quite different than what I'd been told last week. The first issue is a week or two later than what I'd been told, and the second is a month or two earlier. I guess they'll explain the rationale at the 8:30 meeting tomorrow morning. Had you heard his from John, or is it new to you as well?

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** December 6, 2017 at 8:13:05 PM EST
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo -CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>
> **Subject: Re: Rate Mitigation Implementation Meeting - December 7, 2017**

Hi everyone,

Attached is a timeline from OPG for tomorrow's briefing.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: Wednesday, December 6, 2017 5:27 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Calwell, Carolyn (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS); Michael Boll; 'peter.gregg@ieso.ca'; 'ROWE Jennifer -CORPAFFAIRS'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Yordi, Samer (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett; HAHN PARKER Janet -TREASURY; Christie, Tim (ENERGY); Thouin, Alena (ENERGY); Murray, Maud (ENERGY/MEDG/MRIS/MOI)
Subject: Rate Mitigation Implementation Meeting - December 7, 2017

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Please find attached the material for discussion tomorrow.

Thanks,
Martin

Fair Hydro Plan Trust Summary Timeline

Activity	Timing	Confidentiality	Comments
Trust established	Week of Dec. 11	Confidential	Legal documents are filed to establish the trust.
Warehouse credit rating	Week of Dec. 18	Confidential	Credit rating shared with banks to finance debt for FHP Trust to purchase asset from the IESO.
Purchase of asset/warehousing	Week of Dec. 18	Confidential	FHP Trust will issue short-term debt from warehouse and purchase asset from the IESO ($1.2 Billion).
Announce transaction and provide marketing material	Week of Jan. 22	Publicly Available	This is a key time. Dealers formally announce the FHP Trust plans to issue debt. Documents (i.e. Credit ratings, Offering memo, Investor presentations etc.) will be distributed by email to potential investors.
Marketing Road show	Week of Jan. 29	Publicly Available	Deliver presentations and respond to questions from potential investors.
Deal closes	Week of Feb. 12	Confidential	Warehouse is replaced with long-term debt. Agreements are signed and funds are transferred.
Technical briefing	Within 2-3 days after deal closes (week of Feb. 12 or 19)	Publicly Disclosed	Update the media and stakeholders on the results of the first debt offering.
OPG Issues 2017 financial report	Week of March 5	Publicly Disclosed	The Trust will be reported in OPG's Q4 financial report. OPG issues a press release and financial information is filed with the Ontario Securities Commission.
Second tranche of debt issued and asset purchased from IESO	March 2018	Confidential	Plans are a second public issue will be done prior to the Province's fiscal year end of March 31.

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - December 7, 2017
Date:	Wednesday, December 06, 2017 5:41:56 PM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_ Dec 7.docx ATT00001.htm 2017 OFHP Matrix and Outstanding Business Issues - Week of Dec 4 - EPE ....docx ATT00002.htm

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Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: December 6, 2017 at 5:27:22 PM EST
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo -CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
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Subject: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
December 7, 2017

Agenda

1) GA Refinancing
    - Provincial Support Agreements (OFA / OPG / ENERGY)
    - General Business Update (OPG / IESO / ENERGY)

2) OPG's Market Activities – Rollout (All)

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of December 4, 2017

Global Adjustment (GA) Refinancing – Business Issues / Implementation

Issue	Overview	Supporting Documentation	Timing / Next Steps
Provincial Support Agreements	• Province to provide contingent supports to enable structure	• Term Sheet • Change of Law Protection Agreement • Change of Law Process Agreement	• MOF / OPG / ENERGY to finalize Protection Agreement and Process Agreement based on Term Sheet approved by TB/CAB **Timing / Next Steps:** • Agreements to be finalized by mid-December (Note: No later than December 15)
OPG's Financing Plan / Market Activity	• OPG, as Financial Services Manager (FSM), to provide a Financing Plan in accordance with legislation, to evaluate the incurrence of funding obligations consistent with the FAA	• Minister's FAA letter to OPG • Financing Plan • Transaction Documents	• OPG has provided another draft of the Financing Plan to ENERGY for review **Timing / Next Steps:** • Final Financing Plan expected the week of December 11, pending conclusion of rating agency assessment and Ministry of Energy review • Finalization of Transaction Documents in December / January as required (TBD): o December – OPG initial purchase of IESO regulatory asset utilizing warehouse facility o January – OPG to proceed with initial issuance of term debt
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement – Complete • MOU between OFA and Energy – Complete • Notice of Subscription	• Master Share Subscription Agreement and Shareholder resolution signed on November 29 • OFA/ENE MOU will be signed by December 7

Issue	Overview	Supporting Documentation	Timing / Next Steps
		• Amendment to Articles Signed – Complete	**Timing / Next Steps:** • First equity injection expected to be completed by December 18
Protocol for Subordinated and Junior Subordinated Debt	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA has provided comments • OPG to draft Debt Loan Arrangement **Timing / Next Steps**: • OPG to provide additional details
PILs Exemption	• The beneficiary of the OFHP Trust would be subject to tax under the payments in lieu of taxes (PILs) regime under the *Electricity Act, 1998* (EA), and would pay PILs to the Ontario Electricity Financial Corporation (OEFC) • Province to mitigate cost to ratepayers by minimizing PILs payable by the Trust beneficiary • A regulation under the EA is required to exempt the beneficiary from PILs	• Regulation	• MOF is drafting the regulation **Timing / Next Steps:** • Regulation expected to proceed to LRC (TBD)
OPG / IESO Commercial Agreement	• OPG and IESO to enter in to commercial agreements governing the Financing Entity purchase of the regulatory assets (i.e., the Master Transfer and Servicing Agreement, Security Agreement and Acknowledgement and Indemnity Agreement)		• OPG and IESO working to finalize Agreement • IESO Board has approved delegation of approval for agreements • IESO provided an update to its Board on November 29 **Timing / Next Steps:** • Agreements to be finalized. • Further changes may be required pending the completion of the rating process

Ontario's Fair Hydro Plan – Implementation Matrix of Other Items

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation •
2) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • MCSS has begun work to enroll social assistance (SA) clients to OESP, and is directly contacting these clients by phone and letters. The temporary call center is operational and OESP posters and brochures are being distributed to SA offices. • OEB and MCSS and working together on aligning software systems to electronically automate enrollment of SA clients into OESP. Targeting summer 2018 for completion. • The OEB and CRA have reached an agreement to implement an e-signature solution for OESP applications. Work is underway to implement the solution and is expected for Q1 2018. Once completed, the MOU between CRA and MOF will be updated to reflect change. • Ministry is targeting a January 22 – LRC date to proclaim OEBA amendments to shift the OESP to the tax base and to transfer program administration authorities to the Ministry. OESP variance account is expected to deplete in February 2018, and mechanisms to compensate program delivery partners through the tax base needs to be in place for that date. • The Ministry is working with the OEB on knowledge transfer in order to take over program administration in Q1 / Q2 2018. Awaiting feedback from TBS on FTE allocations – the Ministry requested 5 FTEs to support OESP administration through PRRT	• LRC package being developed for proclaiming OEBA provisions and amending OESP regulation for Q1 2018 • Continue to work with OEB to build up the Ministry's knowledge base on administering the OESP

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	Recent Action Items • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Receiving regular updates from H1 on enrollment
4) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	Recent Action Items • October 12 – Soft launch of microsite and 1-800 number • October 24 – Formal announcement in Hamilton involving the Minister of Energy • As of November 16 – 1,634 intake forms submitted; over 1,000 AFT applications sent to Hydro One or the 41 active/pending participating distributors • On Oct. 24 – the Trustees held a webinar with 200 participants to overview program design, walk-through the web site, and answer distributor questions • Next Trustee meetings scheduled for December 14, 2017 • The Trust expects to enter into agreements with interested electricity distributors starting mid to late December 2017 (Hydro One will deliver the program in service areas of those distributors who do not apply)	**Fall 2017:** • The Trustees are considering the use of Ontario 211 services for the Affordability Fund • The Fund will have an iterative design process to support continuous improvement, and will revisit design elements every 6 months and measures every 3 months • ENERGY has amended the TPA with the Affordability Fund Trust to require use of the Ontario logo in Fund marketing and communications and is waiting for the Trustees to sign • Report back to TB/MBC through the PRRT process with final program details and a performance management framework including outcome measures and targets **Early 2018:** • ENERGY can apply for additional funds through an in-

Item	Key Deliverables / Considerations	Timing / Next Steps
		year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
5) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
6) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI. Ministry finalizing OCC's expansion proposal • Ministry finalizing CME proposal	• Quarterly Report Backs re ICI to TBS / MBC
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	Recent Actions Items • Work with agencies ongoing	• Continue this work as part of 2017 LTEP implementation

From:	Gadi Mayman
To:	Ronald Kwan; Mike Manning; Ken Kandeepan
Cc:	Anna Strathy; Usman Zahid
Subject:	Fwd: Rate Mitigation Implementation Meeting - December 7, 2017
Date:	Thursday, December 07, 2017 8:29:47 PM
Attachments:	Action Items_Dec 7_final.docx ATT00001.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: December 7, 2017 at 6:41:30 PM EST
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)"' <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)"' <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)"' <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo -CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
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Subject: RE: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Attached are the action items from this morning's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: December 6, 2017 8:13 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>; 'peter.gregg@ieso.ca' <peter.gregg@ieso.ca>; 'ROWE Jennifer -CORPAFFAIRS' <jennifer.rowe@opg.com>
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Subject: Re: Rate Mitigation Implementation Meeting - December 7, 2017

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Thanks,
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Sent: Wednesday, December 6, 2017 5:27 PM

To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Calwell, Carolyn (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS); Michael Boll; 'peter.gregg@ieso.ca'; 'ROWE Jennifer -CORPAFFAIRS'
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Subject: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

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Thanks,
Martin

Action Items
December 7, 2017

Agenda

1) GA Refinancing
    - Provincial Support Agreements (OFA / OPG / ENERGY)
        - To be ready to be signed early next week (Monday or Tuesday) – required for OPG to obtain final credit rating of warehouse

    - General Business Update (OPG / IESO / ENERGY)
        - OPG working to finalize the offering memorandum and investor presentation by end of next week
        - Sometime next week EY to provide updated accounting memo to OPG
        - OPG to share with TBS documentation provided to EY for review
        - OPG finacing plan – to be presented by OPG at Minister's briefing on Decemeber 14th
        - PILs exemption – MOF drafting Minister's regulation
        - Commercial agreements between IESO and OPG finalized – IESO to prepare one pager for Minister's briefing on December 14th

2) OPG's Market Activities – Rollout (All)
        - OPG to prepare a presentation that outlines key details with respect to its Market Activities
        - OPG anticipates going to market 3 to 4 times in 2018

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - Look at options around deferring the transfer of the OESP to province

    - Affordability Fund (CRED)
        - Implementation agreement near finalized – about 45 LDCs have signaled intent to deliver the program and an additional 5 are interested
        - Trustees are concerned about implications of HAP program changes on the Affordability Fund
        - Affordability Fund briefing for ENERGY DM and CoS to be scheduled for the week of December 18th, including IESO

From: Gadi Mayman
To: Ronald Kwan
Subject: Fwd: Rate Mitigation Implementation Meeting - June 22, 2017
Date: Wednesday, June 21, 2017 9:28:10 PM
Attachments: Agenda_Weekly Rate Mitig Implmentation Group_June 22.docx
ATT00001.htm
Consolidated - OFHP Matrix - Week of June 19_Clean.docx
ATT00002.htm
2017 06 22 Business Issues v02.docx
ATT00003.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: June 21, 2017 at 8:39:26 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)"' <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)"' <ken.hartwick@opg.com>, 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>, "'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)"' <maryanne.aldred@ontarioenergyboard.ca>, "'Kim Marshall (Kim.Marshall@ieso.ca)"' <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'sarah.branco@ontarioenergyboard.ca'" <sarah.branco@ontarioenergyboard.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Kitchen, Matthew (ENERGY)" <Matthew.Kitchen@ontario.ca>, "Laughton, Patrick (TBS)"

<Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>
Subject: Rate Mitigation Implementation Meeting - June 22, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
June 22, 2017

Agenda

1) OFHP ADs

2) GA Refinancing
    - Regulation (Energy / All)
    - Critical Path Updates (OPG / IESO / OEB)
    - Business Item Upates (OFA / IGS)

3) AG
    - Recent Activities / Requests (All)

4) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of June 19, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Regulation (ongoing) – Ministry continues to work with OPG, OEB, IESO and other ministries • Ongoing Business Items o Performance / Payment Guarantees (i.e., term sheet) o OPG / IESO Board Indemnities; MOF to provide s. 28 approval o Payment in Lieu of Taxes Exemption o OPG Equity Injection Process o Management Fees o Subordinate Debt Loan Agreement o IESO – Increased OFA Credit Facilities • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value • ENERGY to provide comments on TB/MBC Report Back Chart – GA refinancing, Social programs, etc	• June 13/14 – TB/LRC/Cabinet Approval of Part 1 package of regulations • June 27 – TB/LRC/Cabinet Approval of Part 2 package of regulations, including presentation to Cabinet (i.e., status update, next steps and communications) • June 22 – OEB announcement re RPP rates. Pre-meeting with OEB on June 21 • July 1 – 25% takes effect

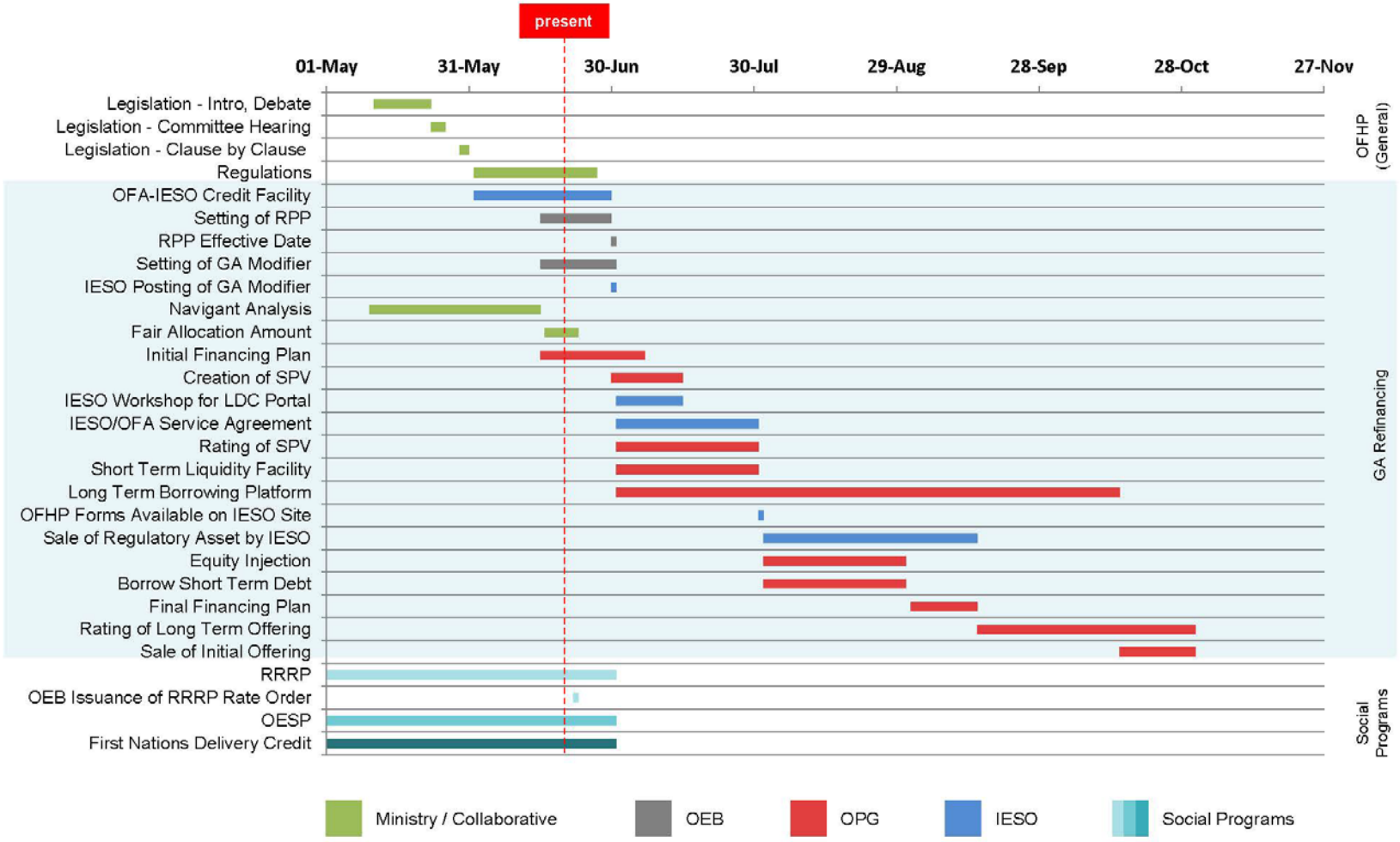
Item	Key Deliverables / Considerations	Timing / Next Steps
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • Ministry working with LDCs to finalize program design	• Implementation of expanded program and reduction in RRRP charge is targeted for July 1 2017
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes • Ministry continues to work with MCSS on OESP automatic enrollment, which is tracking for September at earliest	• See above re approval timing
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	Recent Action Items • Ministry working with Chiefs on First Nations Delivery Credit (FNDC), with Chiefs expecting to table and pass a resolution next week on who receives credit • Ministry finalizing process for eligibility and working with COO to communicate FNDC • Letter being drafted by Regional Chief Day tracking for week of May 29 • Ministry met with COO on April 26 and May23 regarding FN Rate implementation	

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	Recent Action Items • Affordability Fund advisory committee reached consensus on three LDCs + two social agencies to be represented on Trust Board (Ottawa Carleton UW / Advocacy Centre for Tenants Ontario (ACTO) / Thunder Bay Hydro / Hydro One / Alectra) • ACTO declined the invitation to participate on the Board of Trustees due to other demands/priorities. The advisory committee is contacting the Neighbour to Neighbour Centre to invite a representative to participate on the Board. Response pending. • Advisory Committee working to confirm remaining social service agency representative required for Board of Trustees • Formal written invitation being sent to final trustee who has agreed verbally • In its administrative capacity, Hydro One is preparing documentation to replace Computershare, as the original trustee, with the Board of Trustees. Hydro One is also developing back office support and preparing recommendations for the first meeting of the Board of Trustees.	**June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • OEB has been asked by AG for all correspondence between all parties (by June 2) – completed • ENERGY has received AG request for contracts and ToR for	• June 12 – ENERGY Tranche 1 responsive documents provided to AG • Late/end of June – ENERGY Tranche 2 responsive documents to be provided to

Item	Key Deliverables / Considerations	Timing / Next Steps
	accounting advice (request to be re-directed to agencies) – completed • TBS to follow-up on whether AG met with large audit firms and outcome	AG • June 14 – AG meeting with IESO Board
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	Recent Action Items • N/A	• May 24, 2017 – FAO report released publicly
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• July 1 – Bill inserts to be ready • Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC and CME outreach campaigns to promote ICI • Ongoing outreach with LDCs being undertaken by IESO	• Quarterly Report Backs re ICI to TBS / MBC
9) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	Recent Action Items • Ongoing work with MEDG to identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' (i.e., power for job proposal)	• TBD
10) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
	to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Increased Credit Facilities	• To help IESO manage monthly cash flow requirements associated with its role in OFHP	• Credit Facility Agreement • OIC	• OFA drafting Credit Facility Agreement and OIC **Timing:** Cabinet on June 27th
Indemnities for IESO and OPG	• MOF to provide indemnities to companies, employees, and directors	• S.28 Business Case • Draft Indemnity	• ENE / OPG/ IESO has provided responses to OFA Qs **Timing:** Indemnities issued at start of July
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• OFA / Energy to provide comments on draft term sheet to OPG **Timing:** Language finalized by end of July
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Draft Term Sheet • Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to provide comments on equity injection term sheet • OPG / OFA / Energy to develop other agreements and revise OPG Articles **Timing**: Documents finalized at end of July
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• OPG to consider value of comfort letter • MOF legal to draft regulation (consider broad vs. narrow) **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: TBD

From:	Ronald Kwan
To:	John Kim; Bruno Amara
Cc:	Gavin He
Subject:	Fwd: Rate Mitigation Implementation Meeting - June 22, 2017
Date:	Thursday, June 22, 2017 9:33:06 AM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_June 22.docx ATT00001.htm Consolidated - OFHP Matrix - Week of June 19_Clean.docx ATT00002.htm 2017 06 22 Business Issues v02.docx ATT00003.htm

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Begin forwarded message:

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Date: June 21, 2017 at 9:28:09 PM EDT
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - June 22, 2017

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: June 21, 2017 at 8:39:26 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>, "'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'" <maryanne.aldred@ontarioenergyboard.ca>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)"

<Cindy.Veinot@ontario.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, '"jordan.penic@ieso.ca"' <jordan.penic@ieso.ca>, '"sarah.branco@ontarioenergyboard.ca"' <sarah.branco@ontarioenergyboard.ca>, '"Turnevicius, Lorraine"' <lorraine.turnevicius@ieso.ca>, '"catriona.king@opg.com"' <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Kitchen, Matthew (ENERGY)" <Matthew.Kitchen@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>
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June 22, 2017

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Implementation of Ontario's Fair Hydro Plan
Week of June 19, 2017

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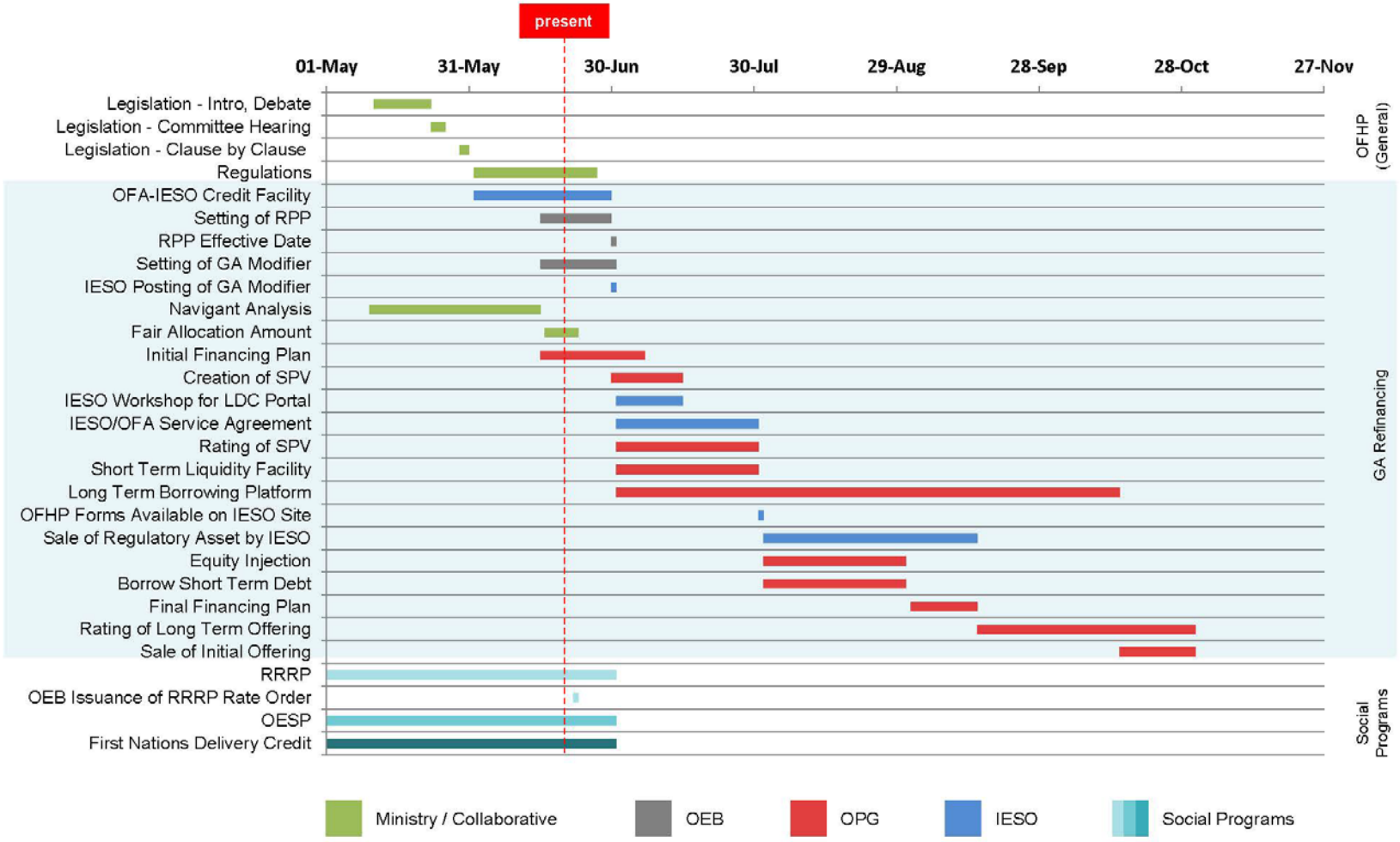
Ontario Fair Hydro Plan Implementation



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From:	Ronald Kwan
To:	ken.hartwick@opg.com; John MAUTI
Cc:	Scott Nelms (ENERGY)
Subject:	Fwd: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Tuesday, May 30, 2017 6:10:52 PM
Attachments:	Clean energy adjustment vs Debt Retirement Charge_May30.docx ATT00001.htm

---

Hi Ken, John,

Happy for your comments on the attached.

Thanks,
Ron

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** May 30, 2017 at 5:18:30 PM EDT
> **To:** "Scott Nelms (ENERGY)" <Scott.Nelms@ontario.ca>
> **Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017**
>
> Hi Scott,
>
> We have put together a draft note on the CEA and DRC. Happy for your comments on the draft. Would you think it would be helpful to get OPG comments too, before circulating a draft to Energy for the Thursday meeting?
>
> Cindy has the draft, but she has not yet provided comments.
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** May-25-17 19:55
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
> **Subject:** Fwd: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Begin forwarded message:
>
> > **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> > **Date:** May 25, 2017 at 11:34:30 PM GMT+1

To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>, "'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'" <maryanne.aldred@ontarioenergyboard.ca>, "'Campbell, Bruce (bruce.campbell@ieso.ca)'" <bruce.campbell@ieso.ca>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>
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Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi everyone,

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For next week it would be helpful to receive materials for the following

items:

- <!--[if !supportLists]--><!--[endif]-->Critical paths from OPG, IESO and OEB
- <!--[if !supportLists]--><!--[endif]-->OFA's comparison of the Clean Energy Adjustment with the DRC
- <!--[if !supportLists]--><!--[endif]-->Draft Provincial Guarantees for the dealers from OPG

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 25, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT VS THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge which was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) debt and other liabilities?

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Key Points	
• Proposed Fair Hydro Plan ("FHP") is being established in the context of an almost fully regulated or contracted market. o The Global Adjustment ("GA", a portion of the commodity cost of electricity) deferral portion of the FHP is to more fairly allocate the cost recovery from ratepayers of the cost of certain investments in generation assets and conservation that are expected to last longer than their typically 20-year contract terms.	• The 1999 electricity sector restructuring was under the *Energy Competition Act, 1998*, ("ECA") to move Ontario's electricity sector to a competitive structure, including providing for private sector involvement and a market price for the electricity commodity.
• This GA deferral portion of the FHP is being established under legislation and a regulatory framework, underpinning the establishment of a regulatory asset, with a deferral account for the deferred portion of GA costs and the associated financing costs.	• The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory structure (e.g., with no role for the OEB), and there was no defined deferral account balance or a particular amount to be recovered under the DRC. The DRC was authorized under the Electricity Act, 1998, until the "residual stranded debt" ("RSD") was retired, as determined by the Minister of Finance. o Because of the ECA's purpose was to provide for a competitive market, the actual annual amounts of other dedicated revenues (e.g., PILs, electricity sector dedicated income – "ESDI") to be paid to OEFC was uncertain, since it depended on the successor companies' actual financial performance. Therefore, the timeframe for retiring RSD was uncertain – so the length and total amount of DRC required was uncertain.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
• The Clean Energy Adjustment ("CEA") reflects the recovery of the deferral account balance, with a legal/regulatory structure supporting certainty on the ability to recover, and as defined over a particular timeframe to be defined under the proposed FHP Act. o The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager).	• The DRC reflects a portion of the disaggregation of the old "bundled rate" of the old Ontario Hydro that included cost recovery related to generation, transmission and central market services, and including debt costs. o The DRC reflected the break-up of the old Ontario Hydro, vertically-integrated monopoly and its bundled rates into commodity, delivery, central market, and a portion of legacy debt service components. It was not considered a "new" or additional cost for the all-in price of electricity. o As such, the intention of establishing the DRC framework was not to shift in time the cost recovery of the old Ontario Hydro debt and other liabilities.
• As a result of the deferral, financing is required, resulting in additional gross debt under the proposed structure.	• "Unbundling" the rates did not in itself create new debt. Though the estimated liability for non-utility generator contracts became recognized on OEFC's balance sheet, cost recovery of those contracts had been part of the old Ontario Hydro bundled rates.
• The Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	• The DRC was set by the government, under the *Electricity Act, 1998*, at 0.7 cents per kilowatt-hour for most electricity consumed in Ontario. It is paid to OEFC, and, under an MOU, administered by the Ministry of Finance (originally by the former Ministry of Revenue). • Having the old Ontario Hydro debt and other liabilities managed by OEFC, and the DRC paid to OEFC, with separate, audited financial statements, provided for transparency and accountability. o [Note: An argument was made back in the 1999 and 2000 period that OEFC's revenues over time, as dedicated to it under legislation, could be reflected as assets on OEFC's balance sheet. In the end, this was not the accounting treatment established for OEFC.]

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Detailed Context	
The CEA, as proposed, arises from the Government's policy to shift a portion of GA costs to the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue to future generations. Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity infrastructure investments on an ongoing basis. The size and timing of these investments led to significant increases in electricity bills through the GA charge. While the majority of the contracted generation is for a 20-year term, the generating assets are expected to have ongoing useful life beyond that term and benefit future ratepayers. The government's proposed Fair Hydro Plan would relieve some of the current GA cost burden on today's ratepayers and share costs more fairly, by refinancing a portion of the GA, and recovering costs in the future through a deferral account. This would provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, in addition to the deferred amounts of GA costs, the cost of refinancing would be recovered from ratepayers. This recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from consumers in the future to pay principal, interest, transaction costs and administrative costs associated with the fair adjustment and consistent with the fair allocation amount.	The OEFC stranded debt arose in 1999 as a result of the restructuring of the electricity sector under the *Energy Competition Act, 1998*. • The underlying policy intent was to create competition in the sector, including the break-up of the former Ontario Hydro and creating a tax-payments-in-lieu of taxes level playing field for private and public sector owned electricity companies. • The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.1 billion. The $38.1 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.1 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies, in particular OPG, Hydro One and IESO, however, OEFC was left with $20.9 billion in stranded debt. Conceptually, stranding was generated by two factors: • "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – as regulated for Hydro One, and as for comparable competitive generators for OPG}. • "Competition" stranding, where the projected future commodity price of electricity was estimated to be lower than the former rate-regulated price, such that OPG could support a lower level of debt, and a liability was created with respect to

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
The debt that the CEA will retire, is not pre-existing but arises out of the policy choice to shift a portion of contract cost recovery plus the cost of financing that shift from current monthly settlements to the future in order to more fairly share electricity infrastructure investment costs.	the legacy power purchase agreements (PPAs) with non-utility generators (NUGs). To allow OEFC to service and retire $38.1 billion in total debt, including the $20.9 billion in stranded debt, the Province established a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity-sector companies. • This included dedicating the amounts to OEFC related to the "commercial" stranding: PILs to OEFC and the "Electricity Sector Dedicated Income" in respect of the net income (i.e., ROE) in excess of the Province's financing cost for the equity. • As PILs were dedicated to OEFC, they were not considered to be a net pressure on all-in prices, simply replacing a portion of debt-service costs that had been embedded in the old regulated prices of Ontario Hydro. The higher ROE was also effectively recycled too. • As of April 1, 1999, the present value of these revenue streams was estimated at $13.1 billion, leaving an estimated $7.8 billion of "residual stranded debt". • Due to the uncertainty discussed above, the Act provided for the Minister of Finance to update the RSD determination from time to time. The Debt Retirement Charge (DRC) on electricity bills was established under the Electricity Act, 1998, to be paid to the OEFC until the *residual stranded debt* was retired (as determined by the Minister of Finance). • As this was related to "competition" stranding, which created price room due from the lower projected commodity price, the DRC was not considered to be creating price pressure, but was in effect just a disaggregation of a portion of the debt service costs embedded in the old regulated rates of Ontario Hydro.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Fiscal Impact to the Province	
Under the proposed financing structure, transactions related to GA refinancing, including CEA payments, are not consolidated to the Province, and generally are not expected to have a material net impact on the Province's financial statements, annually or over time. o OPG's net income is expected to increase by the amount of the interest it charges to the Trust on the debt issued to the Trust funded by the 44% equity injection. That net income increase will provide a fiscal offset to the Province's increased IOD from the Province's borrowings related to the equity injection.	The DRC, paid by electricity rate payers, is a revenue to the OEFC and in turn the Province upon consolidation. The DRC increases revenues, and helps offset debt service costs of OEFC (and the Province, on consolidation). Over time, where OEFC has an excess of revenues (including DRC) over expense, this decreases OEFC's unfunded liability (sometimes called "stranded debt"). Note: Stranded debt is included in the measurement of the Province's net debt
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined. The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment End Date	
The reference period as stated in the proposed Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed in regulation. Correspondingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Initially, under the *Electricity Act, 1998*, the DRC payment period was open ended with the intention to end the DRC once the residual stranded debt is retired. The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
	One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2014 Budget, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2016. The government introduced legislation, passed on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and all other users.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132 *Ontario Fair Hydro Plan Act, 2017*

MAY 24 ,2017

"The accounting transaction is structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity costs from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an accounts receivable that it expects to collect from future ratepayers between 2022 and 2047 that is not yet an accounts receivable because the consumer has not yet used the electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, which had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity ratepayers. This approach would have fully offset the total stranded debt, such that there would have been no net debt impact reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned." [end quote] The government heard these concerns and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe those concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting had not been finalized. In this year's audit, we found that the Ministry of Finance had not adequately supported recognition of the deferred charge as an asset. Accordingly, we found it necessary to conduct extensive accounting research. Based on a full assessment of the proposed accounting, an exhaustive review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not finalized until late October. The final financial statements included the net assets/ liabilities and operating results of the four electricity entities owned by the province, and we concluded that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 26, 2017

From:	Gadi Mayman
To:	Ronald Kwan; Mike Manning; Ken Kandeepan
Cc:	Anna Strathy; Gavin He
Subject:	Fwd: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Thursday, May 25, 2017 7:54:36 PM
Attachments:	Action Items_May 25.docx ATT00001.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: May 25, 2017 at 11:34:30 PM GMT+1
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)" <ken.hartwick@opg.com>, 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>, "'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)" <maryanne.aldred@ontarioenergyboard.ca>, "'Campbell, Bruce (bruce.campbell@ieso.ca)" <bruce.campbell@ieso.ca>, "'Kim Marshall (Kim.Marshall@ieso.ca)" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>
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Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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Subject: Rate Mitigation Implementation Meeting - May 25, 2017

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Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – May 25

1) GA Refinancing
    - Ministry to finalize motions by noon today to deliver to the Clerks by 6pm
    - Ministry on track for package on June 14 and second package later in June
        - Ministry to work with OPG/OEB/ISEO on regulations
    - TBS to draft a chart with TB report backs
        - There is a requirement to go back to TB on details of regulations before proceeding to LRC
        - TBS to look at more streamlined approval process (Cabinet sitting as TB, LRC)
    - OPG, IESO, OEB to develop more detailed individual workplans to align with overall workplan
    - OPG has workplan for working group that it can table every week
    - OPG needs to have regulations to be finalized to move forward on ratings process
    - OEB also needs regs to move forward with pricing, which is on track for June 22
    - IESO working on responses for their Board related AG comments
    - OEB was asked yesterday by AG for all correspondence between all parties by June 2
        - OFA received a similar request
    - OFA to have comparison of Clean Energy Adjustment to DRC ready by end of next week
        - TBS to connect with OFA to determine if it is ready to share with IESO

2) Other OFHP Initiatives
    - RRRP, OESP and FN:
    - Ministry finalizing process for eligibility and COO working to communicate First Nation Delivery credit
    - Letter being drafted by Regional Chief Day tracking for next week
        - Ministry finalizing distribution of components remaining on the rate base
        - Minister could provide letter to legislators to clarify that social programs are ongoing
    - Affordability Fund:
        - Advisory Committee reaching out to another social services agency candidate

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan; Mike Manning
Cc:	Gavin He; Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - May 4, 2017
Date:	Thursday, May 04, 2017 8:48:26 PM
Attachments:	Action Items - May 4.docx ATT00001.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: May 4, 2017 at 8:33:22 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)" <jeffrey.lyash@opg.com>, "HARTWICK Ken - FINANCE (ken.hartwick@opg.com)" <ken.hartwick@opg.com>, Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>, "Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)" <maryanne.aldred@ontarioenergyboard.ca>, "Campbell, Bruce (bruce.campbell@ieso.ca)" <bruce.campbell@ieso.ca>, "Kim Marshall (Kim.Marshall@ieso.ca)" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "LEE John -TREASURY" <john.s.lee@opg.com>
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Subject: RE: Rate Mitigation Implementation Meeting - May 4, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)

Sent: May-03-17 6:43 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 4, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – May 4

1) GA Refinancing
    - Leg Counsel finalizing legislation
    - LSB working on:
        - Committee motions
        - Regulations – 2 parts (mid and late June). Note: OPG has sketched out what it may require in regulation
        - Indemnities for OPG and IESO Board members to be in place around Royal Assent
    - Ministry working on approval documents for Minister signature for end of week:
        - LRC / Cabinet Submission on OFH Legislation
        - TB/MBC Report Back – GA refinancing, Social programs and ICI. Note: TB looking for variability risk analysis for Social programs
        - Ministry to share drafts by end of week
    - OPG and IESO's independent accounting work is complete:
        - OPG is finalizing E&Y's work
        - IESO has finalized KPMG's work
        - Agencies are each working a one page summary that could be released publically
    - OPG to meet with OAG next Thursday (TBC); OAG request to IESO for emails has been expanded
    - OPG on track with Board meeting on May 12 to approve recommendation
    - OPG guarantees won't be negotiated until a later stage and guarantee for market disruption is still in play

2) Other OFHP Initiatives
    - RRRP, OESP and FN:
        - Ministry received final legislation, which includes information sharing provision with MCSS
        - Ministry working with LDCs to finalize program design
    - Affordability Fund:
        - Advisory group reaching out to social agencies
    - ICI:
        - Ministry promoting value of ICI (i.e., at upcoming OCC Annual General meeting)
        - Ministry discussing with CME ongoing

3) Other Items
    - OEB's cannot reset prices until regulation is public, but work will happen in the background to ensure a common understanding of regulations
    - Regulation tracking for direct to Cabinet on June 14th (TBC)
    - Ministry to follow up with stakeholder on rate cap

From:	Ronald Kwan
To:	David McLean (MOF); Jonathan Tekle (CAB)
Subject:	Fwd: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Thursday, June 01, 2017 7:42:00 AM
Attachments:	Clean energy adjustment vs Debt Retirement Charge_May31.docx ATT00001.htm

---

Hi Dave, Jonathan,

FYI.

Would the Deputy be attending Energy's FHP weekly?

Ron

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** May 31, 2017 at 10:51:54 PM EDT
> **To:** "Steen Hume (CAB)" <Steen.Hume@ontario.ca>
> **Cc:** "Hilary Cox (ENE)" <Hilary.Cox@ontario.ca>, Gadi Mayman <Gadi.Mayman@ofina.on.ca>, "Scott Nelms (ENERGY)" <Scott.Nelms@ontario.ca>
> **Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017**
>
> Hi Steen,
>
> The attached reflects comments from OPCD, though they have not commented on this revised version, given the timing.
>
> With comments from the group following tomorrow's meeting, we can further update.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-17 3:21 PM
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
> Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Hi Steen,
>
> Cindy responded that she would send me comments this evening.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-17 13:33
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>

Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

She had a meeting to discuss potentially related issues at 1:30 with her predecessor at the time, so would not be getting back to me before then.

Ron

-----Original Message-----
From: Hume, Steen (ENERGY) [mailto:Steen.Hume@ontario.ca]
Sent: May-31-17 13:29
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron: have you heard back from Cindy?

Thanks,

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-30-17 10:10 PM
To: Mayman, Gadi (OFA); Hume, Steen (ENERGY)
Cc: Cox, Hilary (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi, Steen,

That's right, though more of a table in Word than slides. Cindy said she might have some comments on it, but not before tomorrow afternoon, so if it's okay to wait until then, it would be good to get her feedback.

Ron

-----Original Message-----
From: Gadi Mayman
Sent: May-30-17 8:36 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017

I'm not going to be there, but Ron is and he has a nice deck that's he's just putting the finishing touches on and will send over to you.

Gadi

Original Message
From: Hume, Steen (ENERGY)

Sent: Tuesday, May 30, 2017 7:38 PM
To: Gadi Mayman
Cc: Hilary Cox (ENE)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi. Hope you're keep well.

Just following up on Martin's email from last week re the action items for our next weekly OFHP meeting. Will OFA be able to bring in a comparison of the Clean Energy Adjustment with the DRC for Thursday meeting?

I'm around tomorrow if you'd like to chat. Cheers, Steen

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY)
<Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
Sent: Thursday, May 25, 2017 6:34 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca<mailto:jordan.penic@ieso.ca>'; 'sarah.branco@ontarioenergyboard.ca<mailto:sarah.branco@ontarioenergyboard.ca>'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com<mailto:catriona.king@opg.com>'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi everyone,

Please find attached the action items from today's meeting. For any items that require providing materials for next week's meeting, please send them to me in advance by end of day Tuesday. I will ensure hard copies are available at the meeting.

For next week it would be helpful to receive materials for the following items:

* Critical paths from OPG, IESO and OEB

* OFA's comparison of the Clean Energy Adjustment with the DRC

* Draft Provincial Guarantees for the dealers from OPG

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca<mailto:jordan.penic@ieso.ca>'; 'sarah.branco@ontarioenergyboard.ca<mailto:sarah.branco@ontarioenergyboard.ca>'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com<mailto:catriona.king@opg.com>'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 25, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT AND THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

To provide background and key points in a comparison between the Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge that was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) debt and other liabilities.

Fair Hydro Plan and the Clean Energy Adjustment	**1999 Ontario Hydro Restructuring and the Debt Retirement Charge**
Key Points	
• The Fair Hydro Plan ("FHP") is being established in the context of an almost fully regulated or contracted market. o The Global Adjustment ("GA", a portion of the commodity cost of electricity) deferral portion of the FHP is to more fairly allocate the cost recovery from ratepayers of the cost of certain investments in generation assets and conservation that are expected to last longer than their typically 20-year contract terms.	• The 1999 electricity sector restructuring was under the *Energy Competition Act, 1998*, ("ECA") to move Ontario's electricity sector to a competitive structure, including providing for private sector involvement and a market price for the electricity commodity.
• This GA deferral portion of the FHP is being established under legislation and a regulatory framework, underpinning the establishment of a regulatory asset, with a deferral account for the deferred portion of GA costs and the associated financing costs.	• The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory structure (e.g., with no role for the OEB), and the Province did not establish a defined deferral account balance or a particular amount to be recovered under the DRC. The DRC was authorized under the Electricity Act, 1998, until the "residual stranded debt" ("RSD") was retired, as determined by the Minister of Finance. o Because of the ECA's purpose was to provide for a competitive market, the actual annual amounts of other dedicated revenues (e.g., PILs, electricity sector dedicated income – "ESDI") to be paid to OEFC was uncertain, since it depended on the successor companies' actual financial performance. Therefore, the timeframe for retiring RSD was uncertain – so the length and total amount of DRC required was uncertain.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
• The Clean Energy Adjustment ("CEA") reflects the recovery of the deferral account balance, with a legal/regulatory structure supporting certainty on the ability to recover, and as defined over a particular timeframe to be defined under the FHP Act. o The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager) and recovered from ratepayers.	• The DRC reflects a portion of the disaggregation of the old "bundled rate" of the old Ontario Hydro that included cost recovery related to generation, transmission and central market services, and including debt costs. o The DRC reflected the break-up of the old Ontario Hydro, vertically-integrated monopoly and its bundled rates into commodity, delivery, central market, and a portion of legacy debt service components. It was not considered a "new" or additional cost for the all-in price of electricity. o As such, the intention of establishing the DRC framework was not to shift in time the cost recovery of the old Ontario Hydro debt and other liabilities.
• As a result of the deferral, financing is required, resulting in additional gross debt under the FHP structure.	• "Unbundling" the rates did not in itself create new debt. Though the estimated liability for non-utility generator contracts became recognized on OEFC's balance sheet, cost recovery of those contracts had been part of the old Ontario Hydro bundled rates.
• The Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	• The DRC was set by the government, under the *Electricity Act, 1998*, at 0.7 cents per kilowatt-hour for most electricity consumed in Ontario. It is paid to OEFC, and, under an MOU, administered by the Ministry of Finance (originally by the former Ministry of Revenue). • Having the old Ontario Hydro debt and other liabilities managed by OEFC, and the DRC paid to OEFC, with separate, audited financial statements, provided for transparency and accountability. o [Note: An argument was made back in the 1999 and 2000 period that OEFC's revenues over time, as dedicated to it under legislation, could be reflected as assets on OEFC's balance sheet. In the end, this was not the accounting treatment established for OEFC. The Provincial accounting treatment agreed to was to charge the Province's accumulated deficit for the amount of the stranded debt]

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Detailed Context	
The CEA arises from the Government's policy to shift a portion of GA costs to the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue to future generations. Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity infrastructure investments on an ongoing basis. The size and timing of these investments led to significant increases in electricity bills through the GA charge. While the majority of the contracted generation is for a 20-year term, the generating assets are expected to have ongoing useful life beyond that term, and certain conservation investments are also expected to benefit future ratepayers, justifying the planned longer timeframe for recovery under the Fair Hydro Plan. The government's Fair Hydro Plan will relieve some of the current GA cost burden on today's ratepayers and share costs more fairly, by refinancing a portion of the GA, and recovering costs in the future through a deferral account. This will provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA will be refinanced to reduce pressure on today's electricity ratepayers. In later years, in addition to the deferred amounts of GA costs, the cost of refinancing will be recovered from ratepayers. This recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from consumers in the future to pay principal, interest, transaction costs and	The OEFC stranded debt arose in 1999 as a result of the restructuring of the electricity sector under the *Energy Competition Act, 1998*. • The underlying policy intent was to create competition in the sector, including the break-up of the former Ontario Hydro and creating a tax-payments-in-lieu of taxes level playing field for private and public sector owned electricity companies. • The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.1 billion. The $38.1 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.1 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies, in particular OPG, Hydro One and IESO, however, OEFC was left with $20.9 billion in stranded debt. Conceptually, stranding was generated by two factors: • "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – as regulated for Hydro One, and as for comparable competitive generators for OPG}. • "Competition" stranding, where the projected future commodity price of electricity was estimated to be lower than the former rate-regulated price, such that OPG could support a lower level of debt, and a liability was created with respect to

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
administrative costs associated with the fair adjustment and consistent with the fair allocation amount. The debt that the CEA will retire, is not pre-existing but arises out of the policy choice to shift a portion of contract cost recovery, along with the cost of financing that shift, from current monthly settlements to the future in order to more fairly distribute the costs associated with the benefit of electricity infrastructure investment costs. There was an existing policy in place to recover these costs within a 12 month period and that policy has changed to recover these costs within a 30 year period.	the legacy power purchase agreements (PPAs) with non-utility generators (NUGs). To allow OEFC to service and retire $38.1 billion in total debt, including the $20.9 billion in stranded debt, the Province established a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity-sector companies. • This included dedicating the amounts to OEFC related to the "commercial" stranding: PILs to OEFC and the "Electricity Sector Dedicated Income" in respect of the net income (i.e., ROE) in excess of the Province's financing cost for the equity. • As PILs were dedicated to OEFC, they were not considered to be a net pressure on all-in prices, simply replacing a portion of debt-service costs that had been embedded in the old regulated prices of Ontario Hydro. The higher ROE was also effectively recycled too. • As of April 1, 1999, the present value of these revenue streams was estimated at $13.1 billion, leaving an estimated $7.8 billion of "residual stranded debt". • Due to the uncertainty discussed above, the Act provided for the Minister of Finance to update the RSD determination from time to time. The Debt Retirement Charge (DRC) on electricity bills was established under the Electricity Act, 1998, to be paid to the OEFC until the *residual stranded debt* was retired (as determined by the Minister of Finance). • As this was related to "competition" stranding, which created price room due from the lower projected commodity price, the DRC was not considered to be creating price pressure, but was in effect just a disaggregation of a portion of the debt service costs embedded in the old regulated rates of Ontario Hydro.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Fiscal Impact to the Province	
Under the FHP financing structure, transactions related to GA refinancing, including CEA payments, will be reflected on the Province's consolidated results through the consolidation of OPG and the IESO. Based on the anticipated accounting treatment, the CEA transactions will not have a net impact on the Province's surplus or deficit, annually or over time (at least not materially). o Note: OPG's net income is expected to increase by the amount of the interest it charges to the Trust on the debt issued to the Trust funded by the 44% equity injection. That net income increase will provide a fiscal offset to the Province's increased IOD from the Province's borrowings related to the equity injection.	The DRC, paid by electricity rate payers, is a revenue to the OEFC and in turn the Province upon consolidation. The DRC increases revenues, and helps offset debt service costs of OEFC (and the Province, on consolidation). Over time, where OEFC has an excess of revenues (including DRC) over expense, this decreases OEFC's unfunded liability (sometimes called "stranded debt"). Note: Stranded debt is included in the measurement of the Province's net debt
Payment Amounts	
The annual Clean Energy Adjustment payment amount will be determined by the Financial Services Manager and is not yet determined. Once the total Clean Energy Adjustment payable is determined by Ontario Power Generation (Financial Services Manager), the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment End Date	
The reference period as stated in the Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed in regulation. Correspondingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Initially, under the *Electricity Act, 1998*, the DRC payment period was open ended with the intention to end the DRC once the residual stranded debt is retired.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
	The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2014 Budget, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2016. The government introduced legislation, passed on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and all other users.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132 *Ontario Fair Hydro Plan Act, 2017*

MAY 24 ,2017

"The accounting transaction is structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity costs from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an accounts receivable that it expects to collect from future ratepayers between 2022 and 2047 that is not yet an accounts receivable because the consumer has not yet used the electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, which had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity ratepayers. This approach would have fully offset the total stranded debt, such that there would have been no net debt impact reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned." [end quote] The government heard these concerns and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe those concerns are equally applicable today."

Excerpt from *Auditor General of Ontario 2000 Annual Report*

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting had not been finalized. In this year's audit, we found that the Ministry of Finance had not adequately supported recognition of the deferred charge as an asset. Accordingly, we found it necessary to conduct extensive accounting research. Based on a full assessment of the proposed accounting, an exhaustive review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not finalized until late October. The final financial statements included the net assets/ liabilities and operating results of the four electricity entities owned by the province, and we concluded that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 31, 2017

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy; Usman Zahid
Subject:	Fwd: Rate Mitigation Implementation Meeting - November 23, 2017
Date:	Wednesday, November 22, 2017 7:36:31 PM
Attachments:	2017 OFHP Matrix and Outstanding Business Issues - Week of Nov 20 DOCX _.docx ATT00001.htm Agenda_Weekly Rate Mitig Implmentation Group_ Nov 22.docx ATT00002.htm Technical Briefing Fair Hydro Plan OPG Financing Plan Nov 22.pptx ATT00003.htm

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Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: November 22, 2017 at 7:10:18 PM EST
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Colalillo, Sam (ENERGY)" <Sam.Colalillo@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo -CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, "Ue, Allison (TBS)" <Allison.Ue@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - November 23, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of November 20, 2017

Global Adjustment (GA) Refinancing – Business Issues / Implementation

Issue	Overview	Supporting Documentation	Timing / Next Steps
Provincial Support Agreements	• Province to provide contingent supports to enable structure	• Term Sheet • Change of Law Protection Agreement • Change of Law Process Agreement	• MOF / OPG / ENE to finalize Protection Agreement and Process Agreement based on Term Sheet approved by TB/CAB **Timing / Next Steps:** • Briefing of the ENERGY, MOF and TBS Ministers • Agreements to be finalized in late November or early December
OPG's Financing Plan / Market Activity	• OPG, as Financial Services Manager (FSM), to provide a Financing Plan in accordance with legislation, to evaluate the incurrence of funding obligations consistent with the FAA	• Minister's FAA letter to OPG	• OPG has provided a draft of the Financing Plan to ENERGY **Timing / Next Steps:** • OPG Board committee review and approval by the OPG Board (TBD) • OPG initial debt issuance is currently planned to proceed in December (TBD)
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • /MOU between OFA and Energy • Notice of Subscription • Amendment to Articles	• OPG to request Minister's signature on the Shareholder resolution. • OPG/ENE to sign Master Share Subscription Agreement • OFA / ENE to finalize monthly process and sign-off mechanism **Timing / Next Steps:** • Agreements to be signed by end of November

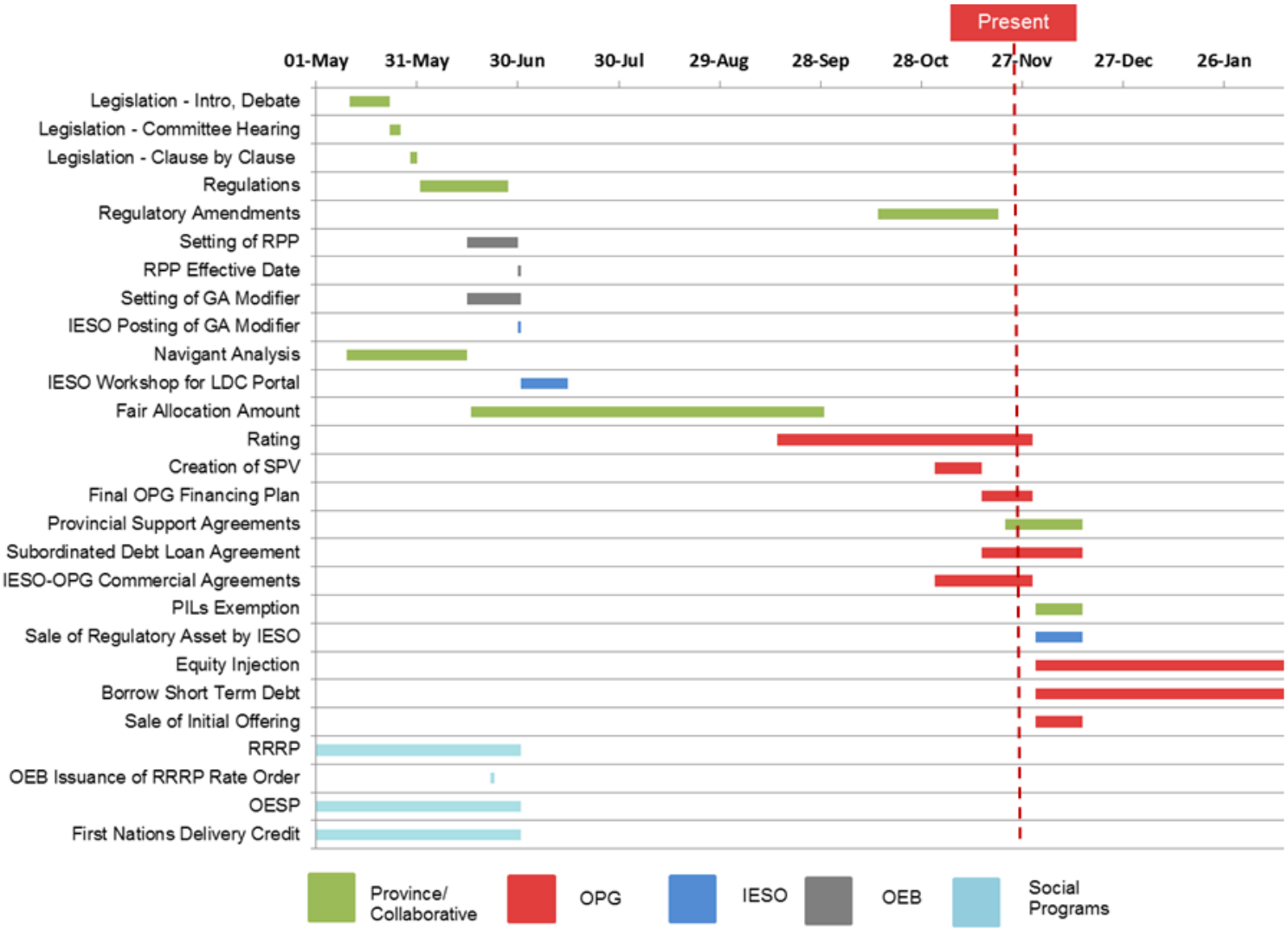
Issue	Overview	Supporting Documentation	Timing / Next Steps
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing / Next Steps**: • Fall (TBD) • OPG to provide additional details
PILs Exemption	• The beneficiary of the OFHP Trust would be subject to tax under the payments in lieu of taxes (PILs) regime under the *Electricity Act, 1998* (EA), and would pay PILs to the Ontario Electricity Financial Corporation (OEFC) • Province to mitigate cost to ratepayers by minimizing PILs payable by the Trust beneficiary • A regulation under the EA is required to exempt the beneficiary from PILs • OPG has advised that a comfort letter signed by the Minister is required	• Comfort Letter • Tax Regulation	• MOF is working to complete comfort letter to OPG and to finalize the regulation **Timing / Nexts Steps:** • Regulation expected to proceed to LRC in December 2017 (TBD)
OPG / IESO Commercial Agreement	• OPG and IESO to enter in to commercial agreements governing the Financing Entity purchase of the regulatory assets (i.e., the Master Transfer and Servicing Agreement, Security Agreement and Acknowledgement and Indemnity Agreement)		• OPG and IESO working to finalize Agreement **Timing / Next Steps:** • The draft commercial agreements to be reviewed by IESO Board on November 22 • Further changes may be required pending the completion of the rating process

Ontario's Fair Hydro Plan – Implementation Matrix of Other Items

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation
2) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB/MB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP. Sought 50 FTEs, but only received 20 – MCSS is considering report-back in the fall to ask for more FTEs • OEB and MCSS completed data exchange to identify SA clients currently not enrolled in OESP. Outreach calls began late August, with direct mail-outs in late September. New call centre to be ready to receive calls in October, and MCSS to continue developing software solution for automation over next several months • CRA approval of proposal for e-signatures on OESP applications. OEB is working with service provider to upgrade online application process (November), and CRA will formally accept e-signature process by amending MOU with Ministry of Finance • Ministry is targeting November/December to proclaim OEBA amendments to shift OESP to tax base, along with supporting regulatory amendments • Ministry and OEB have initiated work to transfer OESP to government	• LRC package being developed for proclaiming OEBA provisions and amending OESP regulation; scheduled for December 11 • Continue to work with OEB to build up the Ministry's knowledge base on administering the OESP

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	Recent Action Items • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Receiving regular updates from H1 on enrollment
4) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	Recent Action Items • October 12 – Soft launch of microsite and 1-800 number • October 24 – Formal announcement in Hamilton involving the Minister of Energy • As of Oct. 23 – 66 applications from 6 LDCs processed through the AFT program • On Oct. 24 – the Trustees held a webinar with 200 participants to overview program design, walk-through the web site, and answer distributor questions • Next Trustees meetings are scheduled for November 30 and December 14, 2017 • The Trust expects to enter into agreements with interested electricity distributors starting mid to late December 2017 (Hydro One will deliver the program in service areas of those distributors who do not apply)	**Fall 2017:** • The Trustees are considering the use of Ontario 211 services for the Affordability Fund • The Fund will have an iterative design process to support continuous improvement, and will revisit design elements every 6 months and measures every 3 months • ENERGY has amended the TPA with the Affordability Fund Trust to require use of the Ontario logo in Fund marketing and communications and is waiting for the Trustees to sign • Report back to TB/MBC through the PRRT process with final program details and a performance management framework including outcome measures and targets **Early 2018:** • ENERGY can apply for additional funds through an in-

Item	Key Deliverables / Considerations	Timing / Next Steps
		year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
5) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
6) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ministry review OCC proposal to expand ICI outreach program • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB • Mandate Review implementation is an opportunity to reiterate expectations **IESO:** • Directive / Letter (TBD) Considerations • IESO's stakeholder engagement re Market Renewal is ongoing	• Continue this work as part of 2017 LTEP implementation



Note: Timeline for illustrative purposes. Dates are approximate and subject to change.

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
November 23, 2017

Agenda

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
    - Provincial Support Agreement (OFA / OPG / ENERGY)
    - OPG's Financing Plan / Market Activities (OPG)

2) Technical Briefing (All)

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Fair Hydro Plan
OPG's Role and Financing Plan
Technical Briefing

December, 2017

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DRAFT

ONTARIO POWER GENERATION

Role of Ontario Power Generation (OPG) in Global Adjustment Refinancing

- **The *Ontario Fair Hydro Plan Act, 2017*, identifies OPG as the Financial Services Manager (FSM) to develop the financing plans and manage the financing entity (i.e. Fair Hydro Plan Trust) responsible for managing the debt obligations associated with GA refinancing.**
  - OPG has extensive experience and expertise in the Ontario energy market, capital markets, regulation and fund management and will ensure that the refinancing will be done in the most efficient and cost-effective manner.
  - In addition to executing hundreds of millions in project financing over the past several years, OPG completed its first bond offering in the Canadian public market with $500 million unsecured 10-year bonds in October 2017.
  - OPG has established the Trust.

- OPG currently manages approximately $20 billion in nuclear funds through the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, and $15 billion in pension funds.

- OPG has also developed solid investor relationships and has a large investor base in the structured finance space [NTD: insert target market] for financing Ontario's Fair Hydro Plan (OFHP) initiative. For example, the Lower Mattagami project financing attracted a broad investor base of about 80 institutional investors, including major investors in the Canadian power and utility bonds market.

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ONTARIO POWER GENERATION

OPG Recent Financing Activities

- On September 12, 2017, OPG filed a $2 billion short form shelf prospectus to facilitate corporate borrowing through a medium term note program over the next two years. The net proceeds from borrowing under this prospectus will be used for general corporate purposes and the financing of OPG's subordinated debt investment in the Fair Hydro Plan

- In October, OPG issued $500 million of senior notes payable under the Medium Term Note Program. The notes have a coupon interest rate of 3.32 percent and an effective rate of 3.43 percent, payable semi-annually with a maturity date of October 4, 2027
- Notes issued exceeded the original OPG target of $300 million because of the strong reception from investors.

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Fair Hydro Trust Financing

- On November 22, OPG's Board of Directors approved OPG's plan for participation in the Fair Hydro Plan, and to act as the Financial Services Manager.
  - OPG has established a holding company FHP 2017 Inc. which will own and control the Trust.

- To date, $1 billion in Global Adjustment payments have been deferred under the Fair Hydro Plan and held by the Independent Electricity System Operator (IESO).
- The Fair Hydro Trust purchased this asset in December. The initial $1 billion in investment assets purchased by the Trust was financed as follows:
  - Borrowing by the Trust through senior debt from capital markets $510 million (51%)
  - Equity injection by the Province $440 million (44%) invested as subordinated debt in the Trust
  - OPG subordinated debt in the Trust $50 million (5%) already raised through the initial borrowing

- In subsequent months the Trust will make a decision on the purchase of subsequently generated assets (approximately $200 million per month) and any required financing.
- A second round of borrowing will take place in Q1 - 2018 to continue managing the refinancing of the Global Adjustment.
- [NTD: Placeholder about success/level of interest in the offering]

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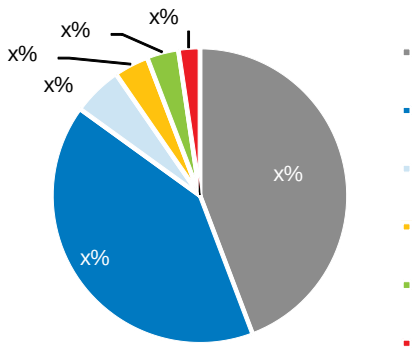
Debt Offering Summary

TERMS SUMMARY

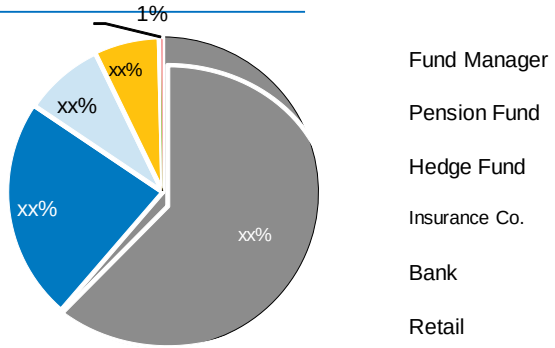
Issuer	Fair Hydro Trust .
Pricing Date	xx-Dec 17
Settlement Date	xx-Dec-17
Ratings (DBRS/Moodys)	xxx
Amount	$xxx million
Coupon	x.xx%
Coupon Dates	xxx and xxx
Maturity Date	x-xxx-xx
Spread vs. Benchmark	+xx bps (credit: +xx bps, curve: +xx bps)
GoC Curve	GoC x.xx% due xx, xxxx GoC x.xx% due xx, xxxx
GoC Benchmark	GoC x.xx% due xx, xxxx
Benchmark Price/ Yield	$xx.xx / x.xx%
Price	$xxxx
Yield	x.xxx%
Syndicate	xxxx

1. Co-Lead Agent & Bookrunner.

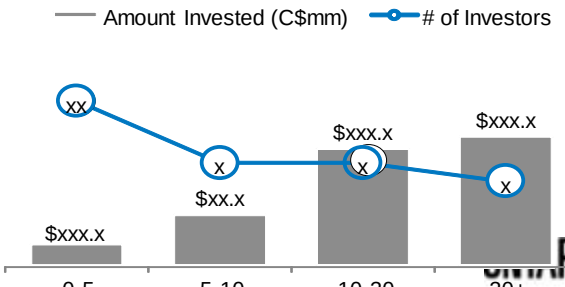
INVESTOR LOCATION



INVESTOR TYPE



ALLOCATION HISTOGRAM(1)



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Reporting

- Through OPG's ownership and control over the key activities of the Trust, OPG will consolidate the financial results of the Trust in accordance with US GAAP.
- OPG will report the financial results of the Trust's operations in its annual report and 4th Quarter financial results. These results will be released by OPG in early March 2018.
- The Trust's activities will be reported as a separate segment in OPG's overall results as follows:
  - Regulated – Nuclear Generation
  - Regulated - Hydroelectric
  - Contracted Generation Portfolio
  - Regulated - Nuclear Waste Management
  - Services, Trading, and Other Generation
  - Fair Hydro Trust
- The Trust's financial results will also be reported directly to the Province as OPG's shareholder.

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From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan
Cc:	Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - November 1, 2017
Date:	Wednesday, November 01, 2017 9:26:03 PM
Attachments:	Action Items_Nov 1_v2.docx ATT00001.htm

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** November 1, 2017 at 7:59:52 PM EDT
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)"' <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)"' <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)"' <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <SOM.Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>, HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
> **Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017**
>
> Hi everyone,
>
> Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: October 31, 2017 3:52 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; MacIntyre, Kyle (TBS) <Kyle.MacIntyre@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <SOM.Adam.Feather@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>; HAHN PARKER Janet - TREASURY <j.hahnparker@opg.com>
Subject: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

Action Items
November 1, 2017

Agenda

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
        - Rating agencies (i.e., DBRS) would like to interview IESO as part of the ratings process
        - Energy to prepare a letter to OPG to clarify that although the FAA Letter includes negative amounts, OPG can still incur charges (e.g., interest). Alternatively, this matter could be address through regulation
        - IESO meeting with OPG and dealers tomorrow to finalize outstanding issues (e.g., agreement, security)
        - OPG Board meeting on Novermeber 15 to approve critical business items
        - By the end of November IESO has to post its quarterly financial statements up to the end of September, which will include a regulatory asset of approximately $800 million
        - OFA has intercept letter for ENERGY and IESO to sign for enhanced Line of Credit
    - Provincial Protection and Assurances Agreement (OFA / OPG)
        - OFA working with OPG, MOF, ENERGY, Blakes and Tories to finalize agreement by the end of the week
    - Commercial Agreement (OPG/ IESO)
        - Work ongoing between OPG and IESO

    - OPG's Financing Plan (OPG)
        - OPG to share draft with Ministry as soon as possible. OPG expects to have draft document by the end of next week
        - OPG expects to go to market by end of November – to include an offering memorandum, which goes to identified investors. OPG to prepare a process "road map" that outlines the diffent steps of going to market
        - Ministry to determine whether a NR or statement would need to be issued about a quiet period while OPG goes to market
        - Potential Technical Media briefing on OPG financing plan in early December – OPG to work on outline of deck
    - Regulatory Amendments (ENERGY)
        - To enable IESO to recove from the GA its carrying costs associated with the Letter of Credit
        - To the General regulation to address methodology for recovery in the event of default (i.e., acceleration) and potentially negative FAA amounts

        - Energy to prepare a Minister letter to OPG outlining the policy intent of proposed amendments and indicate that the ministry's plan to obtain approval of the ammendents at LRC on November 20 or Decemeber 11

2) Sepcial Report – Debrief

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - Reg tracking to LRC in December for OESP
    - Affordability Fund (CRED)
        - Next Trustees meeting is November 2nd.

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Usman Zahid; Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - November 23, 2017
Date:	Thursday, November 23, 2017 8:36:02 PM
Attachments:	Action Items_Nov 23_Final.docx ATT00001.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: November 23, 2017 at 8:34:10 PM EST
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Colalillo, Sam (ENERGY)" <Sam.Colalillo@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)"' <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)"' <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)"' <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo -CBUSDEV&STRT"' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca"' <peter.gregg@ieso.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca"' <jordan.penic@ieso.ca>, "'catriona.king@opg.com"' <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, "Ue, Allison (TBS)" <Allison.Ue@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - November 23, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: November 22, 2017 7:10 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; Colalillo, Sam (ENERGY) <Sam.Colalillo@ontario.ca>; "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>; 'peter.gregg@ieso.ca' <peter.gregg@ieso.ca>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Yordi, Samer (ENERGY) <Samer.Yordi@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; Ue, Allison (TBS) <Allison.Ue@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - November 23, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

Action Items
November 23, 2017

1) GA Refinancing

- General Business Update (OPG / IESO / ENERGY)
  - OPG to provide shareholder resolution for Minister of Energy's signature with respect to the OPG Equity Injection
  - OPG to share with ENERGY the debt loan agreement with respect to the Subordinated Debt
  - IESO to provide an update to its Board on Novemeber 29th. Note: IESO Board approved delelgation of approval for OPG / IESO Commercial Agreements, which are expected to be finalize by end of next week (i.e., week of Novermber 27th).
  - MOF to draft comfort letter and possible regulation (either LGIC or Minister's Reg) with respect to PILs Exemption

- Provincial Support Agreement (OFA / OPG / ENERGY)
  - Ongoing work to finalize agreement wording between legal counsels
  - Briefing of Ministers' of Finance, Energy and President of TB – next week or early the following week. Note: MO will aim for November 30th or December 4th. Briefing would also provide an update from OPG on its approach to engaging the market
  - OPG to determine with legal counsel who would need to sign the agreement on behalf of the OPG /Trust. Note: Ministers' of Finance and Energy would sign of behalf of the province

- OPG's Financing Plan / Market Activities (OPG)
  - OPG Chair to send a letter to Minister of Energy with respect to OPG's proposed Financing Plan. Note: ENERGY had provided preliminary feedback
  - With respect to market engagement, OPG is considering two options:
    1) Approach the market in early December. Note: Work would need to be finalized before December 15th; or
    2) Warehouse the funds on a revolving line of credit in December then go to market in New Year – possibly 2nd week of January. Following feedback from the rating agencies a decision on which option to proceed with can be made. Note: The matter will be raised at the join Ministers' briefing next week

2) Technical Briefing (All)

- Technical Briefing in December will be determined based on whether or not OPG goes to market in December (per the points raised above)

- Technical Briefing presentation needs to be put in plain language and needs to be higher level, including a few context slides up front

- Overall, the objective of the presentation is to providing a conclusion to the process (i.e., bookending the process)

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Deena Padamadan; Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - October 12, 2017
Date:	Thursday, October 12, 2017 6:47:36 PM
Attachments:	Action Items_Oct12.docx ATT00001.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: October 12, 2017 at 6:42:08 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Chander, Sunita (ENERGY)" <Sunita.Chander@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
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Subject: RE: Rate Mitigation Implementation Meeting - October 12, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: October 11, 2017 8:24 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; Chander, Sunita (ENERGY) <Sunita.Chander@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; MacIntyre, Kyle (TBS) <Kyle.MacIntyre@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <Adam.Feather@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - October 12, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

Action Items
October 12, 2017

1) GA Refinancing
    - General Business Update (OPG / IESO / IGS)
        - OPG started rating agency process last week with DBRS and Moody's
        - OPG/IESO continue to work through commercial agreement
    - Provincial Protection and Assurances Agreement (OFA/OPG)
        - OFA/OPG continue to refine agreement – quantum/term etc.
    - Fees and Interest Payments (ENERGY)
        - Interest payments during moratorium can be dealt with through variance account and minor amendments to the General Reg for LRC on the 16th
            - Consolidation analysis to be shared with TBS
        - Fees reg would include 7.5 basis points for the base fee for 2017/2018 and OEB would do a review of comprables for future years. Internal OPG costs will become a pass through.
            - CO to explore direct to Cabinet on 18th
    - Letter of Credit (ENERGY / IESO / OPG)
        - Ministry will work on GA regulatory amendment for LRC on Oct 16 to allow these cost to be recovered
            - CO to explore direct to Cabinet on 18th
        - Ministry/OPG/IESO/OFA to determine primacy of payment between Crown, Generators Underwitters during four year moratorium – (could require regulatory amendment)

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - Need to go to LRC to proclaim section to allow it to move to tax base (tentatively Dec 7 LRC)
        - CRA has accepted online sing up
        - FNDC update from Hydro One on Oct 2 went well
    - Affordability Fund (CRED)
        - Plan is to announce Fund on Oct 24 in Hamilton
        - Soft launch is planned for today (1-800 number and microsite)

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Deena Padamadan; Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - October 12, 2017
Date:	Wednesday, October 11, 2017 8:29:27 PM
Attachments:	2017 Outstanding Business Issues - Week of Oct 9_Clean.docx ATT00001.htm Agenda_Weekly Rate Mitig Implmentation Group_ Oct 11.docx ATT00002.htm 2017-09-27 Consolidated - OFHP Matrix - Week of October 9_Clean (2).docx ATT00003.htm

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Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: October 11, 2017 at 8:24:06 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Chander, Sunita (ENERGY)" <Sunita.Chander@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)"' <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)"' <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)"' <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
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Subject: Rate Mitigation Implementation Meeting - October 12, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Provincial Protection and Assurance Agreement	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• MOF / ENE to finalize Protection Agreement based on Term Sheet approved by TB/CAB. **Timing:** Fall for finalization of Protection Agreement
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / ENE to determine required monthly process and sign-off mechanism **Timing:** October for internal provincial mechanism
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation (currently with MOF for review) **Timing:** Fall for regulation
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: Fall
OPG Management Fees	• OPG is allowed to charge a management fee for its services made up of 1)base fee and 2) variable fee 3) Third-party costs (e.g. banking fees)	• Draft Base Fee framework • Draft Variable Fee framework • Amendments to Ontario Regulation 206/17	• ENE, OPG, OEB and OFA working to develop proposed regulatory amendments which would determine role of OEB in determining fees OPG charges **Timing**: Proposed regulation expected to be reviewed at October 16 / 30 LRC (TBD)
OPG Fees and Interest Recovery	• OPG accounting advice that interest and fees must be recovered during "inflationary cap" period for GA Refinancing to proceed as planned under the OFHPA. Note: Net impact on ratepayers will be zero	• Amendments to Ontario Regulation 206/17 (i.e., general regulation). Note: No longer proposing to amend GA regulation	• ENE, OPG, IESO and OFA working to develop proposed regulatory amendments which would enable fees and interest amounts to be recovered during the Inflationary Cap period.. **Timing**: Proposed regulatory amendments to be reviewed at October 16 / 30 LRC (TBD)

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
October 11, 2017

Agenda

1) GA Refinancing
    - General Business Update (OPG / IESO / IGS)
    - Provincial Protection and Assurances Agreement (OFA/OPG)
    - Fees and Interest Payments (ENERGY)
    - Letter of Credit (ENERGY / IESO / OPG)

2) Report

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of October 9, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Protection and Assurance Agreement ▪ OFA / OPG / MOF / ENERGY and OPCD working to finalize Agreement. Note: Term Sheet has been approved by TB/CAB o Equity Injection Process ▪ OPG seeking Board approval of Master Subscription Agreement on September 29. ▪ Province to finalize internal mechanisms in October o Commercial Agreement ▪ OPG and IESO working to finalize Agreement ▪ Ongoing discussions regarding the "letter of credit" to backstop smaller LDCs without ratings or using a reserve account. Note: Funding source for carrying costs still TBD o FAA Letter ▪ On September 28, 2016, letter was sent to OPG Board Chair ▪ ENERGY and OPG exchanged modelling data to support FAA and RA amounts in Minister's letter o Management Fees (Regulation) ▪ ENERGY, OPG, OEB and OFA working to finalize proposed amendments to O. Reg. 206/17 (i.e., general regulation) which would determine role of OEB in determining fees OPG charges ▪ Leg Counsel Draft being circulated o Fees and Interest Recovery During the Inflationary Cap Period (Regulation) ▪ ENERGY, OPG, IESO and OFA working to finalize proposed regulatory amendments to O.	• October 16 / 30 – LRC for regulatory amendments package (i.e., to address management fees and interest and fees collection during the Inflationary Cap period) • Late November 2017 – OPG Financing (TBD)

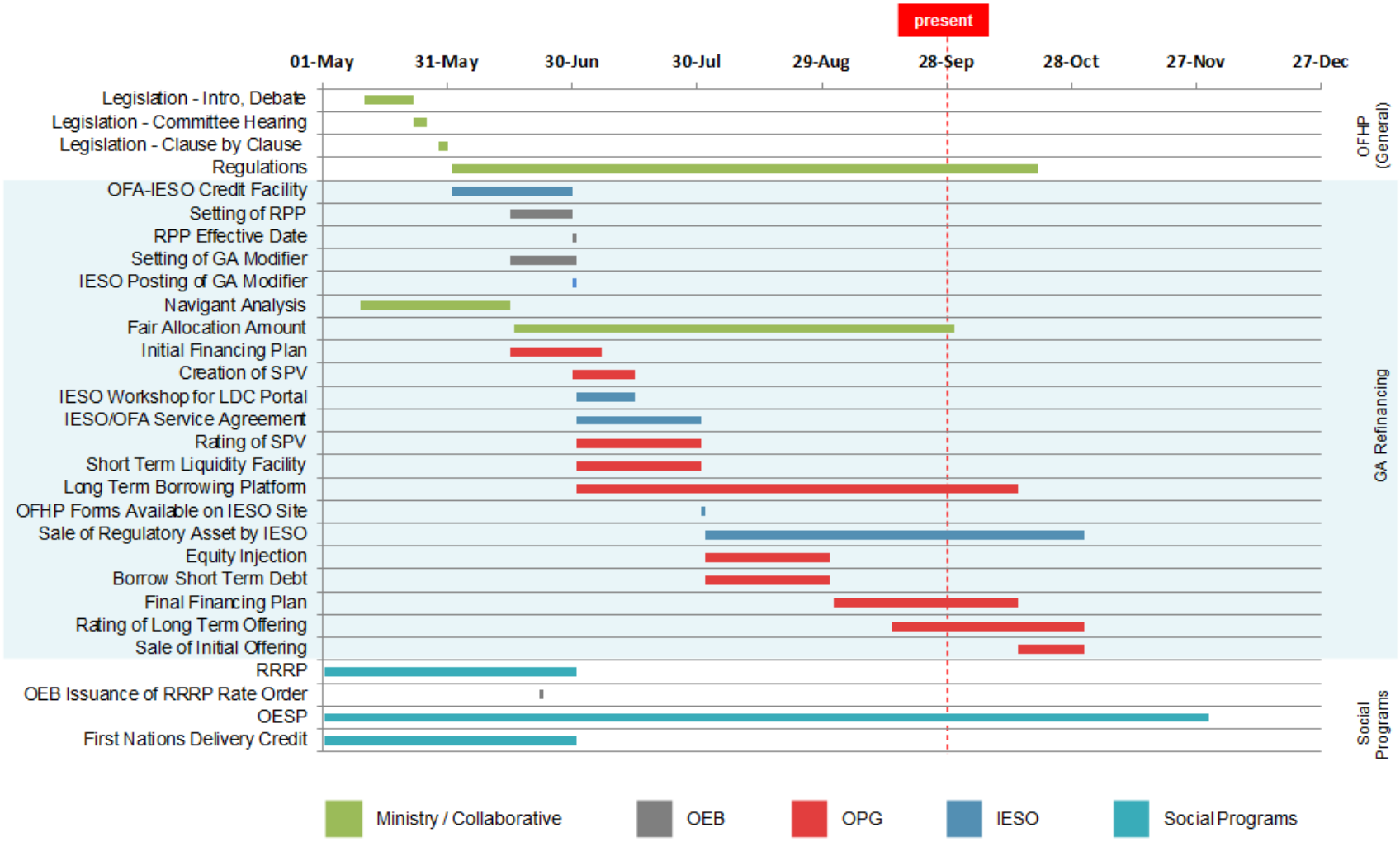
Item	Key Deliverables / Considerations	Timing / Next Steps
	Reg. 206/17 (i.e., general regulation) which would enable fees and interest amounts to be recovered during the Inflationary Cap period. Note: No longer proposing to amend GA regulation ▪ Leg Counsel Draft being circulated o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption ▪ MOF/Tax Policy working on comfort letter/regulation regarding PILs for OPG • OPG continuing to work with rating agencies	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Will work on updated cost projections for PRRT submission • Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • July 26 TB/MB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP. Sought 50 FTEs, but only received 20 – MCSS is considering report-back in the fall to ask for more FTEs • OEB and MCSS completed data exchange to identify SA clients currently not enrolled in OESP. Outreach calls began late August, with direct mail-outs in late September. New call centre to be ready to receive calls in October, and MCSS to continue developing software solution for automation over next several months	• Continue to work with OEB to build up the Ministry's knowledge base on administering the OESP

Item	Key Deliverables / Considerations	Timing / Next Steps
	• CRA approval of proposal for e-signatures on OESP applications. OEB is working with service provider to upgrade online application process (November), and CRA will formally accept e-signature process by amending MOU with Ministry of Finance • Ministry is targeting November/December to proclaim OEBA amendments to shift OESP to tax base, along with supporting regulatory amendments • Ministry and OEB have initiated work to transfer OESP to government	
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Will work on updated cost projection for PRRT • Hydro One to provide update on program enrollment week of October 2
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (United Way Ottawa / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity • Hydro One, in its administrative capacity, is providing administrative support, including coordinating stakeholder engagement and developing program principles and details for	**October 2017:** • Soft launch of microsite Oct 12 • Oct. 23 formal announcement involving the Minister **Fall 2017:** • The Trustees are considering the use of Ontario 211 services for the Affordability Fund • ENERGY is amending the TPA with the Affordability Fund Trust to request use of the Ontario

Item	Key Deliverables / Considerations	Timing / Next Steps
	review and approval by the Board of Trustees (have engaged Accenture to assist) • Preliminary consultations with LDCs were undertaken in July. On August 1, Hydro One hosted a consultation session with LDCs to seek input on program design; over 30 LDCs participated • On August 28, Trustees briefed the Ministry on progress to date, including proposed program design and implementation • Trustees worked through program design concepts and details from mid-August to mid-September in order to launch the program in October. An iterative design process is contemplated, allowing for potential updates to the program on a regular basis • Hydro One convened meetings with a number of LDCs in late September to review program design details • Most recent Board meeting took place on October 5, 2017	logo in Fund marketing and communications • Report back to TB/MBC through the PRRT process with final program details and a performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through an in-year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	<u>Recent Action Items</u> • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records • IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG • AG attended special meeting of IESO Board on OFHP • AG has provided a draft special report on Ontario's Fair Hydro Plan (OFHP) for comment	• Fall – Responding to AG Request (Ongoing) • Week of September 25 – Ministry is responding to draft AG special report on OFHP • TBD – Release date of AG special report
7) Bill Presentment (SNAP/LSB)		
• ENERGY	<u>Recent Action Items</u> • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD) • Ministry reviewing a revised proposal from CME	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB • Mandate Review implementation is an opportunity to reiterate expectations. **IESO:** • Directive / Letter (TBD) Considerations • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of 2017 LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

From:	Ronald Kwan
To:	John Kim
Subject:	Fwd: Rate Mitigation Implementation Meeting - October 12, 2017
Date:	Thursday, October 12, 2017 9:21:38 PM
Attachments:	Action Items_Oct12.docx ATT00001.htm

Hi,

Take note.

Ron

Begin forwarded message:

> **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Date:** October 12, 2017 at 6:47:29 PM EDT
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Deena Padamadan <Deena.Padamadan@ofina.on.ca>, Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject: Fwd: Rate Mitigation Implementation Meeting - October 12, 2017**
>
> Begin forwarded message:
>
> > **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> > **Date:** October 12, 2017 at 6:42:08 PM EDT
> > **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Chander, Sunita (ENERGY)" <Sunita.Chander@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>

Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - October 12, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: October 11, 2017 8:24 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; Chander, Sunita (ENERGY) <Sunita.Chander@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>

Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; MacIntyre, Kyle (TBS) <Kyle.MacIntyre@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <Adam.Feather@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - October 12, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

Action Items
October 12, 2017

1) GA Refinancing
    - General Business Update (OPG / IESO / IGS)
        - OPG started rating agency process last week with DBRS and Moody's
        - OPG/IESO continue to work through commercial agreement
    - Provincial Protection and Assurances Agreement (OFA/OPG)
        - OFA/OPG continue to refine agreement – quantum/term etc.
    - Fees and Interest Payments (ENERGY)
        - Interest payments during moratorium can be dealt with through variance account and minor amendments to the General Reg for LRC on the 16th
            - Consolidation analysis to be shared with TBS
        - Fees reg would include 7.5 basis points for the base fee for 2017/2018 and OEB would do a review of comprables for future years. Internal OPG costs will become a pass through.
            - CO to explore direct to Cabinet on 18th
    - Letter of Credit (ENERGY / IESO / OPG)
        - Ministry will work on GA regulatory amendment for LRC on Oct 16 to allow these cost to be recovered
            - CO to explore direct to Cabinet on 18th
        - Ministry/OPG/IESO/OFA to determine primacy of payment between Crown, Generators Underwitters during four year moratorium – (could require regulatory amendment)

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - Need to go to LRC to proclaim section to allow it to move to tax base (tentatively Dec 7 LRC)
        - CRA has accepted online sing up
        - FNDC update from Hydro One on Oct 2 went well
    - Affordability Fund (CRED)
        - Plan is to announce Fund on Oct 24 in Hamilton
        - Soft launch is planned for today (1-800 number and microsite)

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - September 28, 2017
Date:	Wednesday, September 27, 2017 8:20:48 PM
Attachments:	2017-09-27 Consolidated - OFHP Matrix - Week of September 25 - Consolida....docx ATT00001.htm Agenda_Weekly Rate Mitig Implmentation Group_ Sept 28.docx ATT00002.htm 2017 Outstanding Business Issues - Week of Sept 25 IGS ESP.DOCX ATT00003.htm

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Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: September 27, 2017 at 8:02:45 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Talwar, Shruti (ENERGY)" <Shruti.Talwar@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - September 28, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of September 25, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Protection and Assurance Agreement ▪ OFA / OPG / MOF / ENERGY and OPCD working to finalize Agreement. Note: Term Sheet has been approved by TB/CAB o Equity Injection Process ▪ OPG seeking Board approval of Master Subscription Agreement on September 29. ▪ Province to finalize internal mechanisms in October o Commercial Agreement ▪ OPG and IESO working to finalize Agreement ▪ Ongoing discussions regarding the "letter of credit" to backstop smaller LDCs without ratings or using a reserve account o FAA Letter ▪ ENERGY and OPG have exchanged modelling data to support FAA and RA amounts in Minister's letter ▪ Letter is pending Minister's approval o Management Fees (Regulation) ▪ ENERGY, OPG, OEB and OFA working to develop proposed regulation which would determine role of OEB in determining fees OPG charges ▪ Leg Counsel Draft has been circulated o Fees and Interest Recovery During the Inflationary Cap Period (Regulation) ▪ ENERGY, OPG, OEB, IESO and OFA working to develop proposed regulatory amendments which	• Late September – Minister's Fair Allocation Amount letter • September 25/27 – TB/ Cabinet Approval of Provincial Protection and Assurance Agreement Term Sheet • September 29 – OPG Board Meeting • October 16 – LRC for regulatory amendments package (i.e., to address management fees and interest and fees collection during the Inflationary Cap period) • Late November 2017 – OPG Financing (TBD)

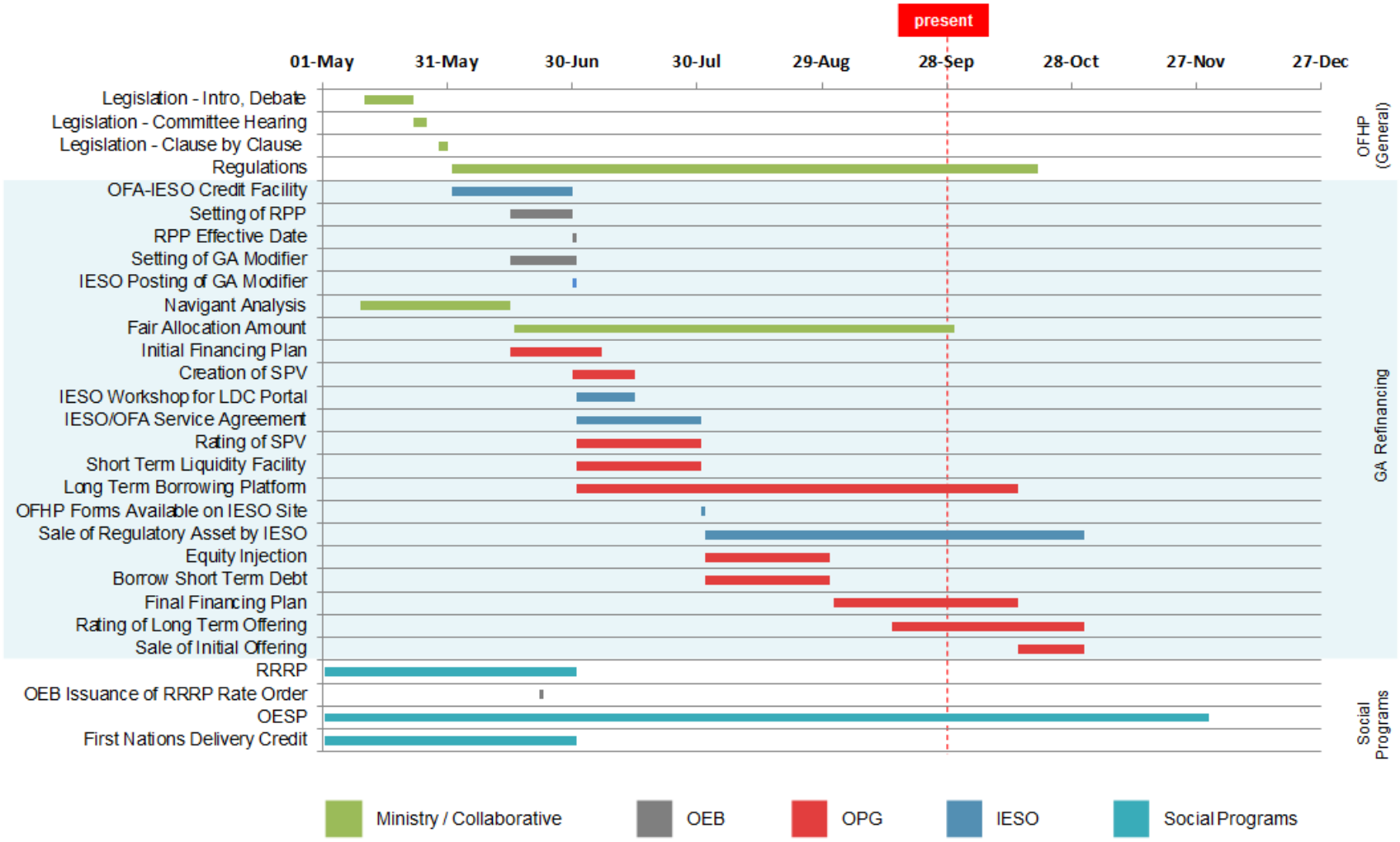
Item	Key Deliverables / Considerations	Timing / Next Steps
	would enable fees and interest amounts to be recovered via Global GA ▪ Develop amendments to O. Reg. 429/04 and related amendments to OFHPA regulations to enable recovery of interest/fees via GA ▪ Leg Counsel Draft has been circulated o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption ▪ MOF/Tax Policy working on comfort letter/regulation regarding PILs for OPG • OPG continuing to work with rating agencies	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Will work on updated cost projections for PRRT submission • Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	<u>Recent Action Items</u> • July 26 TB/MB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP. Sought 50 FTEs, but only received 20 – MCSS is considering report-back in the fall to ask for more FTEs • OEB and MCSS completed data exchange to identify SA clients currently not enrolled in OESP. Outreach calls began late August, with direct mail-outs in late September. New call centre to be ready to receive calls in October, and MCSS to continue developing software solution for automation over next several months	• Week of August 7 – follow-up with CRA on proposed wet signature solution

Item	Key Deliverables / Considerations	Timing / Next Steps
	• CRA approval of proposal for e-signatures on OESP applications. OEB is working with service provider to upgrade online application process (November), and CRA will formally accept e-signature process by amending MOU with Ministry of Finance • Ministry is targeting late October / early November to proclaim OEBA amendments to shift OESP to tax base, along with supporting regulatory amendments • Ministry and OEB have initiated work to transfer OESP to government	
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Will work on updated cost projection for PRRT • Hydro One to provide update on program enrollment week of October 2
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity • Hydro One, in its administrative capacity, is offering back office support and helping coordinate stakeholder engagement on program design for the Board of Trustees (have engaged Accenture to assist)	**October 2017:** Target for program launch **Fall 2017:** • The Trustees are considering the use of Ontario 211 services for the Affordability Fund • ENERGY is proposing to amend TPA with the Affordability Fund Trust to request use of the Ontario

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Preliminary consultations with LDCs were undertaken in July. On August 1, Hydro One hosted a consultation session with LDCs to seek input on program design; over 30 LDCs participated • On August 28, Trustees briefed the Ministry on progress to date, including proposed program design and implementation • Trustees continue to work through program design concepts and details in order to launch the program in October. An iterative design process is contemplated, allowing for potential updates to the program on a regular basis • Staff from Ministry of Community and Social Services (MCSS) attended the September 7 Board of Trustees meeting to discuss potential use of Ontario 211 services for the Affordability Fund	logo in Fund marketing and communications • Report back to TB/MBC through the PRRT process with final program details and a performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through an in-year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	<u>Recent Action Items</u> • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records • IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG • AG attended special meeting of IESO Board on OFHP • AG has provided a draft special report on Ontario's Fair Hydro Plan (OFHP) for comment	• Fall – Responding to AG Request (Ongoing) • Week of September 25 – Ministry is responding to draft AG special report on OFHP
7) Bill Presentment (SNAP/LSB)		
• ENERGY	<u>Recent Action Items</u> • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
8) Expanding ICI (ESP/COMs)		

Item	Key Deliverables / Considerations	Timing / Next Steps
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD) • Ministry reviewing a revised proposal from CME	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) Considerations • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB • Mandate Review implementation is an opportunity to reiterate expectations. **IESO:** • Directive / Letter (TBD) Considerations • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of 2017 LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
September 28, 2017

Agenda

1) GA Refinancing
    - o General Update (OPG / IESO)
    - o Business Item (OPG/IGS)
    - o Provincial Protection and Assurances Agreement (OFA/OPG)
    - o Fees, Interest Payments and FAA Letter (ENERGY)

2) Estimates

3) Other OFHP Initiatives
    - o RRRP, OESP and FN (SNAP)
    - o Affordability Fund (CRED)

Notes:

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Provincial Protection and Assurance Agreement	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• MOF / ENE to finalize Protection Agreement based on Term Sheet approved by TB/CAB. **Timing:** September 25 – TB/MBC / September 27 – CAB Fall for finalization of Protection Agreement
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / ENE to determine required monthly process and sign-off mechanism **Timing:** OPG Board meeting September 29 (Master Subscription Agreement) October for internal provincial mechanism
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation (currently with MOF for review) **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: Late September
OPG Management Fees	• OPG is allowed to charge a management fee for its services made up of 1)base fee and 2) performance fee	• Draft Base Fee framework • Draft Performance Fee framework • Regulation	• ENE, OPG, OEB and OFA working to develop proposed regulation which would determine role of OEB in determining fees OPG charges **Timing**: Proposed regulation expected to be reviewed at October 16 LRC.
OPG Fees and Interest Recovery	• OPG accounting advice that interest and fees must be recovered during "inflationary cap" period for GA Refinancing to	• Amendments to Ontario Regulation 429/04 • Amendments to OFHPA Regulations	• ENE, OPG, OEB, IESO and OFA working to develop proposed regulatory amendments which would enable fees and interest amounts to be recovered via Global Adjustment (GA).

	proceed as planned under the OFHPA. Note: Net impact on ratepayers will be zero.		**Timing**: Proposed regulation expected to be reviewed at October 16 LRC.

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy; Gavin He
Subject:	Fwd: Rate Mitigation Implementation Meeting - September 14, 2017
Date:	Thursday, September 14, 2017 12:26:43 PM
Attachments:	Action Items_Sept 14_v2.docx ATT00001.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: September 14, 2017 at 12:24:38 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Nalasco, Adrian (ENERGY)" <Adrian.Nalasco@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
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Subject: RE: Rate Mitigation Implementation Meeting - September 14, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: September 14, 2017 5:47 AM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>; Nalasco, Adrian (ENERGY) <Adrian.Nalasco@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; MacIntyre, Kyle (TBS) <Kyle.MacIntyre@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <Adam.Feather@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - September 14, 2017

Hi everyone,

Please find attached the material for discussion this morning.

Thanks,
Martin

Action Items – September 14, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
        - OPG Board meeting set up for Sept 27 to seek approval of the structure (materials typically go to the Board a week in advance). OPG will require finals or advanced drafts of the support agreement, FAA model, and fees regulation
        - OPG and IESO continue to work on LOC to protect against LDC defaults, or an alternative of a guarantee, to land for next week
            - A LOC could require a change to the general regulation (could track to Oct 16 LRC)
            - IESO/ENERGY Legal continue discussions on the LOC to flesh out any required regulatory changes
    - Supporting Agreement (OFA/OPG)
        - OPG has indicated that EY doesn't believe the agreement, as currently drafted, will pass the consolidation test.
        - OFA/ENERGY to work with OPG to determine what can be done to address this concern
        - TB/MBC will likely move to Monday Sept 25
    - Business Item (OPG/IGS)
        - Moratorium period will last for until 2022. After that, both interest and principal will flow through CEAs.
        - Treatment of interest during first four years is still not resolved. ENERGY to work with IESO to investigate alternatives to GA.
    - Fees (ENERGY)
        - ENERGY legal is working through latest proposal from OPG and a draft that will not substantially change is needed for Board meeting. Proposal has been shared with OEB but has not yet been formally drafted by legislative counsel.
    - FAA (ENERGY/OPG)
        - Energy and OPG to meet in the next few days to finalize the FAA model with an aim to get the Minister's signature on the FAA letter next Thursday

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - No updates
    - Affordability Fund (CRED)
        - Trustees are currently meeting on a weekly basis and working towards a soft launch in early October

From:	Ronald Kwan
To:	John Kim; Emily Kerr
Subject:	Fwd: Rate Mitigation Implementation Meeting - September 14, 2017
Date:	Thursday, September 14, 2017 7:02:06 AM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_Sept 14.docx ATT00001.htm 2017-09-08 Consolidated - OFHP Matrix - Week of September 11.docx ATT00002.htm 2017 Outstanding Business Issues - Week of Sept 11.docx ATT00003.htm

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Begin forwarded message:

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Date: September 14, 2017 at 6:47:04 AM EDT
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - September 14, 2017

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: September 14, 2017 at 5:46:58 AM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Nalasco, Adrian (ENERGY)" <Adrian.Nalasco@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
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<jordan.penic@ieso.ca>, '"Turnevicius, Lorraine"'
<lorraine.turnevicius@ieso.ca>, '"catriona.king@opg.com"'
<catriona.king@opg.com>, "Bungaro-Yemec, Francesca
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<david.barrett@ieso.ca>, "Katona, Keley (MOF)"
<Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - September 14, 2017

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Martin

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
September 14, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
    - Supporting Agreement (OFA/OPG)
    - Business Item (OPG/IGS)
    - Fees (ENERGY)
    - FAA (ENERGY/OPG)

2) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of September 11, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS/LSB)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	<u>Recent Action Items</u> • Ongoing Business Items o Provincial Guarantees (i.e., performance / payment, term sheet) – OPG/TBS (OPCD), MOF, OFA and ENERGY met on August 10, 2017 to discuss proposed approach to Provincial Guarantee. Additional accounting review on proposed approach is required – OPG proposing to prepare an option for Government to pay outstanding obligation should OPG/Trust no longer be able meet financing obligations – IESO and OPG to continue discussions regarding the letter of credit to backstop smaller LDCs without ratings or using a reserve account – need to determine quantum – IGS/OFA to prepare summary deck for week of September 4, 2017 – Note: Initial focus of OPG financing will be on Canadian market o Management Fees Regulation ▪ Draft received from OPG. LSB to share with OEB and Legislative Counsel. o Interest Collection During the Inflationary Cap Period (OPG, IESO and Energy to work through approach) o Ministry/OPG to look into mechanism to pay interest and expenses through GA after the 4 year moratorium o OPG Equity Injection Process o Subordinate Debt Loan Agreement o Payment in Lieu of Taxes Exemption	• July 1 – 25% takes effect • Summer – Prepare Minister's Fair Allocation Amount (TBD) • Summer – LRC/Cabinet Approval Management Fee regulation (TBD) • Summer – LRC/Cabinet Approval Interest Collection During the Inflationary Cap Period regulation (TBD) • Mid-September – Minister's Fair Allocation Amount letter • September 27 – TB/Cabinet Approval and s.28 Approval Provincial Guarantees (TBD) • Late November 2017 – OPG Financing (TBD)

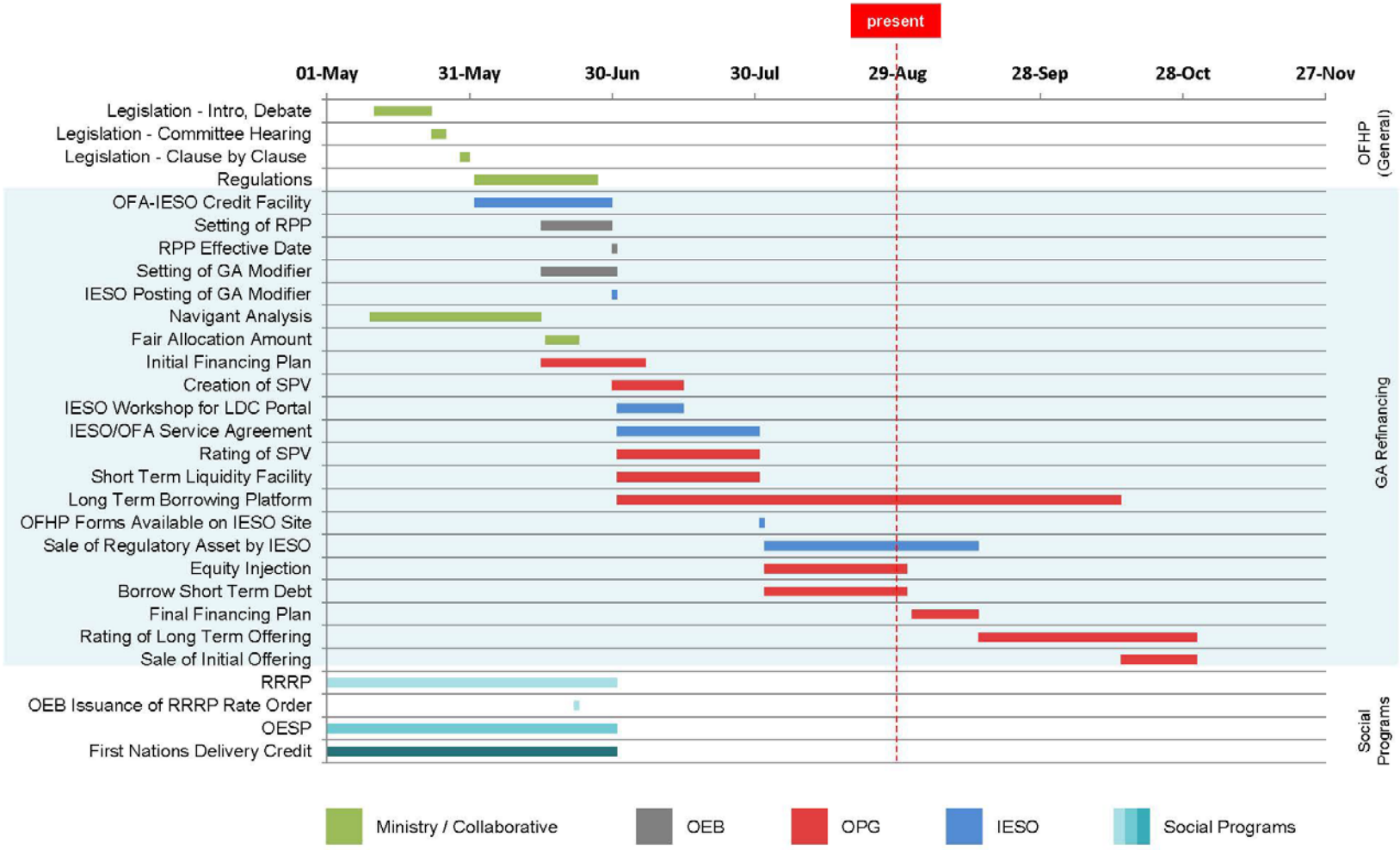
Item	Key Deliverables / Considerations	Timing / Next Steps
	– MOF/Tax Policy working on comfort letter re: PILs for OPG – IGS to provide best timing estimates for PILs, Equity Injection, Subordinated Debt Loan Agreement (between OPG and Trust) • OPG continuing work with rating agencies. OPG working to finalize this working by end of September • OPG to go to its Board with OFHP financing plan following direction from August 16, 2017 meeting • Agencies (OPG/IESO/OEB) to provide weekly critical paths/detailed workplans as required • ENERGY working with Navigant to prepare a report on long lived assets and associated assessment of value o ENERGY has shared draft FAA model with OPG	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program	• Will hold a wrap-up working group teleconference in August.
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	<u>Recent Action Items</u> • July 26 TB approval for MCSS to expand FTEs and create team dedicated to OESP enrolment, using funds approved on March 1, 2017 under FHP • OEB and MCSS executed MOU (as per recent OEBA amendments) to share information that will support targeted outreach for social assistance clients potentially eligible but not enrolled in OESP • Targeted outreach and automatic SA client enrolment by MCSS to start late September; MCSS to continue developing software solution for automation over next several months	• Week of August 7 – follow-up with CRA on proposed wet signature solution

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Significant progress on wet signature issue – SNAP continues to work with, MOF, OEB and CRA on solution • SNAP to work with TBS to ensure funds flow from fiscal plan when OESP moves to the tax base	
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • Ministry working on post card for FNDC	• Will hold a wrap-up working group teleconference in August.
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • On June 19, 2017, Computershare, the original trustee of the Affordability Fund Trust, was replaced with a Board of Trustees which includes representation from two social agencies and three LDCs (Ottawa Carleton UW / Neighbour to Neighbour Centre / Thunder Bay Hydro / Hydro One / Alectra). The Ministry of Energy is also represented on the Board of Trustees in a non-voting capacity • Hydro One, in its administrative capacity, is offering back office support and helping coordinate stakeholder engagement on program design for the Board of Trustees (have engaged Accenture to assist) • Stakeholder engagement is underway; preliminary outreach with several LDCs conducted in July and a WebEx and in-person meeting seeking feedback from LDCs on program design held August 1 (~70 participants) • Trustees continue to work through program design concepts and details in order to launch the program as soon as possible • Trustees have agreed to Hydro One's role as administrator	**September 2017:** Target for program launch **Q2 2017-2018:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Trustees call held August 11, 2017 (recap of LDC feedback and discussion on program design) • Trustees to brief Ministry on August 28	
6) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Auditor General (AG)	Recent Action Items • ENERGY and other ministries (MOF and TBS) have received additional/broader scope request from AG. Responses to be coordinated across ministries • Third-party hired to undertake electronic search of records • TBS advises that AG is tracking for an opinion on Public Accounts (PA) on August 18, which would result in an earliest release by the government of the PA on August 28 (Note: The statutory deadline in September 27) • IESO indicates that Deloitte has provided KPMG a second opinion on the accounting treatment that is supportive, which was provided to the AG • AG attended special meeting of IESO Board on OFHP	• Summer – Responding to AG Request (Ongoing)
7) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• Fall 2017 – Bill redesign
8) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI • Ongoing outreach with LDCs being undertaken by IESO • CME proposal (TBD)	• Quarterly Report Backs re ICI to TBS / MBC
9) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		

Item	Key Deliverables / Considerations	Timing / Next Steps
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

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Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• ENE/MOF tracking to TB in September for approval **Timing:** Sept 26 TB/MBC
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to determine required monthly process and sign-off mechanism **Timing**: Late Sept/Early Oct
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: Late Sept
OEB Rate & Fees	• OPG is allowed to charge a management fee for its services made up of 1)base fee and 2) performance fee	• Draft Base Fee framework • Draft Performance Fee framework • Regulation	• OPG, ENE and OFA to determine role of OEB in determining fees OPG charges **Timing**: Regulation by the fall

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - September 14, 2017
Date:	Thursday, September 14, 2017 6:47:06 AM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_Sept 14.docx ATT00001.htm 2017-09-08 Consolidated - OFHP Matrix - Week of September 11.docx ATT00002.htm 2017 Outstanding Business Issues - Week of Sept 11.docx ATT00003.htm

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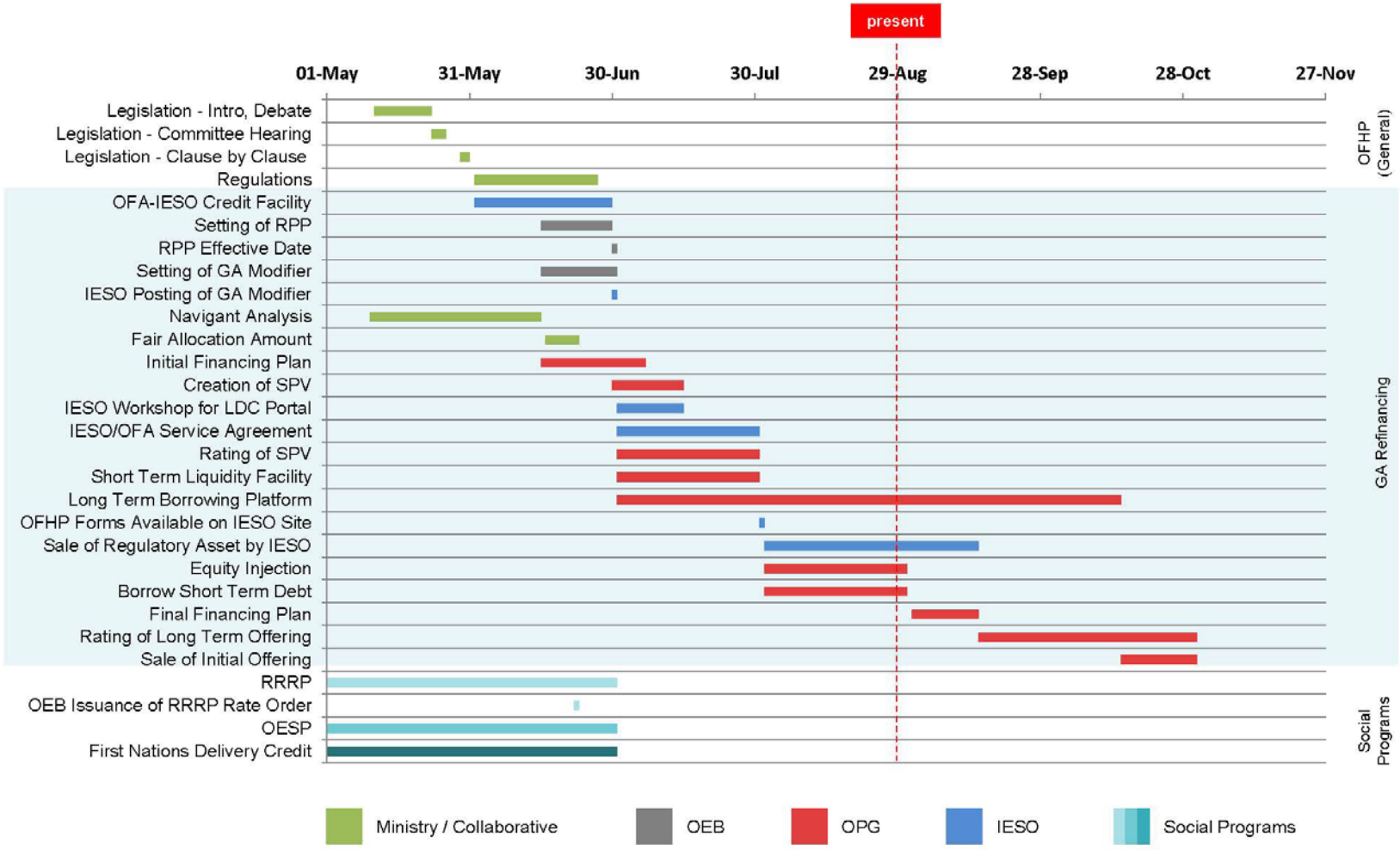
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Ontario Fair Hydro Plan Implementation



* Note: Preliminary timeline with tentative dates that are subject to change.

0

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
Guarantees	• Province to provide contingent supports to enable structure	• Draft Term Sheet • Performance Guarantee • Service Guarantee	• ENE/MOF tracking to TB in September for approval **Timing:** Sept 26 TB/MBC
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement • Service Level Agreement • Notice of Subscription • Amendment to Articles	• OFA / Energy to determine required monthly process and sign-off mechanism **Timing**: Late Sept/Early Oct
PILs Exemption	• Province to mitigate cost to ratepayers by minimizing PILs payable by OPG financing vehicle	• Tax Regulation	• MOF legal to draft comfort letter and regulation **Timing:** Regulation by fall
Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: Late Sept
OEB Rate & Fees	• OPG is allowed to charge a management fee for its services made up of 1)base fee and 2) performance fee	• Draft Base Fee framework • Draft Performance Fee framework • Regulation	• OPG, ENE and OFA to determine role of OEB in determining fees OPG charges **Timing**: Regulation by the fall

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy
Subject:	Fwd: Rate Mitigation Implementation Meeting - September 28, 2017
Date:	Thursday, September 28, 2017 9:05:51 PM
Attachments:	Action Items_Sept 28_v2.docx ATT00001.htm

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: September 28, 2017 at 9:03:18 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Talwar, Shruti (ENERGY)" <Shruti.Talwar@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - September 28, 2017

Hi everyone,

Please find attached the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: September 27, 2017 8:03 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Talwar, Shruti (ENERGY) <Shruti.Talwar@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; MacIntyre, Kyle (TBS) <Kyle.MacIntyre@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <Adam.Feather@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - September 28, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

Action Items – September 28, 2017

Agenda

1) GA Refinancing
    - General Update (OPG / IESO)
        - OPG has shared comments on the FAA letter. OPG advises that it requires the letter for its OPG Board meeting (September 29, 2017)
        - Fees and interest payments during the moratorium period regulations are underdevelopment. OPG advise that these are required when going back to rating agencies. Regulations are tracking to LRC on October 16
        - As part of the IESO/OPG Commercial Agreement process, IESO is working through its role going forward (e.g., recovery of funds, etc). To provide additional security to creditors, IESO is exploring a credit enhancement. IESO/OPG continues to work through details regarding a letter of credit

    - Business Item (OPG/IGS)
        - Items are tracking towards completition in Fall.

    - Provincial Protection and Assurances Agreement (OFA/OPG)
        - Term sheet approved. Final agreement is under development and needs to be finalized before going to market (i.e., November)

    - Fees, Interest Payments and FAA Letter (ENERGY)
        - Fees and interest payment regulations are under development and drafts have been circulated for comments (i.e., to OEB, OPG, IESO, MOF and OFA). Drafts will also be circulated to TBS/OPCD

2) Estimates
    - Ministry prepping for questions related to OFHP
    - IESO and OPG representative to attend to answer specifc questions

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

From: Ronald Kwan
To: John Kim
Subject: Fwd: Rate Mitigation Implementation
Date: Tuesday, May 23, 2017 12:33:09 PM

Begin forwarded message:

From: "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>
Date: May 23, 2017 at 9:27:39 AM EDT
To: "Young, Gwendolynne (MOF)" <Gwendolynne.Young@ontario.ca>
Cc: "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Kennedy, Nancy (MOF)" <Nancy.Kennedy@ontario.ca>
Subject: RE: Rate Mitigation Implementation

Yes, in this case "Ministry" is Energy.

Discussion is with ENE, TBS, MoF, IESO, OEB, OPG. These are weeklies to discuss implementation of the Fair Hydro Plan that have been ongoing since March.

From: Young, Gwendolynne (MOF)
Sent: May 23, 2017 9:26 AM
To: Nelms, Scott (MOF)
Cc: Kwan, Ronald (OFA); Kennedy, Nancy (MOF)
Subject: RE: Rate Mitigation Implementation

Hi Scott,
Who was the discussion with on Thursday? The 'ministry' referenced below, is that ENERGY?

Gwen Young
p: 416.325.0741 | bb: 647.982.2419

From: Nelms, Scott (MOF)
Sent: May 23, 2017 9:23 AM
To: Young, Gwendolynne (MOF)
Cc: Kwan, Ronald (OFA); Kennedy, Nancy (MOF)
Subject: Rate Mitigation Implementation

Good morning,

Please see the following summary of Thursday's Fair Hydro plan discussion:

GA Refinancing

- Ministry working on motions which need to be filled on Thursday. Draft motions to be shared early next week.
- Ministry also working on regulations for mid and end of June timelines
- OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July
    - Documents will include commentary on credit worthiness
    - Potential engagement of Moody's/S&P/DBRS
- Agencies (OPG/IESO/OEB) to provide critical paths for the next meeting
- OPG to go to market in Sept/Oct
- IESO letter went to OFA to request $2.5B total credit
- IESO expecting purchase and sale agreement by end of June
- IESO memo and KPMG accounting opinion has been delivered to Ministry
- OPG memo and E&Y accounting opinion has been delivered to Ministry
- IESO is producing a document to respond to AG questions – to be shared with TBS for review
    - IESO to offer FAO separate meeting with KPMG
    - FAO report to be provided to MO on Tuesday and be released on Wednesday
- OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge
- Indemnities for Boards are tracking forward to be in place when legislation comes into force
- Guarantees for dealers are still being explored and to be done in conjunction with rating process
    - Time is required to appropriately brief decision makers
    - OPG to provide draft version of Term Sheet to Ministry of Energy

RRRP, OESP and FN:

- Ministry working on regulation details
- OESP regulations will be the focus of the post-July 1 work stream
- Ministry working with 5 Chiefs to determine the qualification of FN rebate based on existing processes
- Ministry working to minimize number of individuals who qualify for credits but don't receive them on July 1
- OEB RPP calculation needs to be completed 15 business days from Royal Assent

From:	Eva.Karpowicz2@ontario.ca on behalf of Nelms, Scott (MOF)
To:	Montgomery, Kaitlin (MOF); Jonathan Tekle (CAB); Marianne Nguyen (MCYS); Buttivant, James (MOF); Moore, Brynne (MOF); Young, Gwendolynne (MOF); Elizabeth Mendes (MOF); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Keley Katona (ENERGY); Cengarle, John (MOF)
Cc:	Sybille Chan (MOF); Kelsey Ingram (OPO); Martin, Jessica (MOF); Parker, Noah (MOF); Koukoulas, Sophia (MOF); Ronald Kwan; John Kim; John Kim; Kobrinsky, Liza (MOF)
Subject:	IGS-MO Bi-weekly
Attachments:	IGB-MO bi-weekly 2017 09 26 v02.docx IGB Issues Forecast 2017 09 26 v02.docx

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Sep. 26: please note change in time and location.

Sep. 26: Agenda and Issues Forecast added.

Sep. 21: please note change in time and location.

Sep. 15: please note change in date and time.

Series from Aug. 22 -Jan. 31.

Investment and Governance Branch Bi-weekly Meeting
September 27, 2017

AGENDA

Item	*Supporting Materials*	*Decision Direction Update*	*Comments/Context*
1. Issues Forecast	Yes	Update	
2. Lakeview	No	Update	- OPG ready to move forward with successful bidder, pending Provincial approval
3. Hydro One			
a. Governance	No	Update	- Protocol/ Financial Declaration
b. FAO Request			- Responses due Sept. 29 / Oct. 13
c. COO			- Timing / EPC's Recieved
4. Stelco	No	Update	- Second advance on the landco credit facility on September 22
5. Fair Hydro Plan	No	Update	- TB / MBC September 26
6. FES	No	Update	- Tracking for late Oct/Early Nov

Issues Forecast – Investment and Governance
as of September 27, 2017

Item	Comments	Key Dates
Hydro One Financial Updates	H stock is trading at $22.68 as of September 25, 2017 close, up from $20.50 IPO price. On August 8, 2017 Hydro One released their second quarter results for the three month period ending June 30, 2017. Hydro One indicated that net income attributable to common shareholders was $117M, a decrease of $35M or 23.0% from the prior year, reflecting milder weather, delay in receipt of transmission rate decision and interest rate driven reduction in allowed return-on-equity (ROE). On July 19, Hydro One announced the proposed acquisition of Avista, primarily and electric and natural gas utility in the U.S. Pacific Northwest, for $6.7B. Hydro One concurrently announced a $1.54B bought deal offering of debentures (including the over-allotment option), convertible to common shares at $21.40 per share upon the transaction being finalized (expected in second half of 2018). The FAO has submitted an information request to the Ministry of Finance regarding the partial sale of Hydro One and acquisition of Avista. The Ministry of Energy has also received a request.	**Sept 14** – Hydro One joint regulatory filing for Avista transaction **Sept 29** – Next quarterly dividend payment of $0.22 per share is expected **Sept 29/Oct 13** – Responses due to the FAO **Nov** – Q3 Results released **Q3/4 2018** – Targeted closing of the Avista transaction
Hydro One Governance Requirements	The Province entered into a Governance Agreement with Hydro One specifying certain restrictions and practises which must be followed with respect to voting, governance standards, ability to acquire shares in the future, etc. The Province attended Hydro One's AGM on May 4, 2017, and voted by proxy in advance on current issues (i.e., financial statements, election of	**Early 2018** – The Province and Hydro One will exchange Nomination Notices setting out proposed Director nominees

Issues Forecast – Investment and Governance
as of September 27, 2017

Item	Comments	Key Dates
	directors, appointment of external auditors, executive compensation). A ministry representative met with the chair of Hydro One's Nominating and Governance Committee and confirmed respective intentions in regards to Directors each does not expect to re-nominate in the next one to five years. The Ministry is working with Hydro One and across government to ensure appropriate protocols are in place regarding Hydro One initiatives that may have implications on the Province's ownership share. TBS has indicated a desire to align the Hydro One controls with respect to financial declarations with requirements in the Public Service of Ontario Act.	
Chiefs of Ontario (COO) Engagement	Ministry reported back to TB (September 13th) and Cabinet (September 28th) on the results of the negotiation and obtained approval for the deal. COO and the Province reached an agreement in principle on June 16th, 2016, and received ratification of the terms at the Chiefs-In-Assembly meeting on June 29th, 2016. On June 30, 2017 the Loan Agreement and Share Purchase and Contribution Agreements were executed. The Chiefs Committee on Energy (CCE) held webinars with First Nations communities throughout the summer to complete a page turn of the definitive agreements. About 20 commitment letters have been received to – date. Finance working with TBS on a regulation to enable reporting of the value conveyed to First Nations through the share sale.	**October, 2017** – TBS will bring forward a regulation to transparently account for the transaction. **October 31, 2017** – Targeted closing date for transaction, but prior to December 29, 2017. **December 29, 2017** – Final allowed closing date.

Issues Forecast – Investment and Governance
as of September 27, 2017

Item	Comments	Key Dates
Métis Nation of Ontario (MNO) Engagement	Ministry reported back to TB (September 13th) and Cabinet (September 28th) and obtained a revised mandate for discussions with MNO. Formal negotiations with the MNO commenced in October 2016. Six full team meetings and several lead negotiator 1:1 conversations have subsequently occurredNegotiations continued in May 2017. The Minister of Energy sent a letter to President Froh reaffirming his support for negotiations to continue at the table between the negotiating teams. MNO has indicated it is interested in starting up negotiations again, assuming the Ministry of Energy approves of two new requests 1) New members and 2) a separate discussion on electricity rates The Ministry of Energy has agreed to the additional members, and is open to establishing an Energy table with the MNO, however, the table would be contingent on a successful negotiation. Some thought would need to be given on what a successful outcome of the table would look like.	**Early Oct** – Next MNO / Provincial negotiating meeting **Date TBC** – MNO will submit a request for Phase 2 capacity funding.
Ontario Power Generation (OPG) Financial Updates	On August 11, 2017 OPG announced Q2 results for the three month period ending June 30, 2017 OPG's net income attributable to the Province in Q2 2017 was $303 million, compared to $132 million in Q2 2016. The increase in earnings primarily reflected the one-time gain from the sale of OPG's head office premises and associated parking facility, partially offset primarily by the earnings impact of the expected decline in generation due to planned outages for the Darlington Refurbishment Project.	
Ontario Fair	In March 2017, Ontario's Fair Hydro Plan was announced and the Fair	**Sept 26** – TB/MBC

Issues Forecast – Investment and Governance
as of September 27, 2017

Item	Comments	Key Dates
Hydro Plan	Hydro Act, 2017 received Royal Assent in June 2017. Effective July 1, RPP rates were updated to reflect the full impact of OFHP. The Ministry of Finance is working with the Ministry of Energy on a number of outstanding business issues, including a Provincial Guarantee which would be provided by both the Minister of Energy and Minister of Finance to support OPGs financing activities	**Fall 2017** – - Regulatory amendments related to recovery of interest and fees - PILs exemption - Protection Agreement - Sub-debt Agreement
Stelco	On June 30, 2017 Bedrock completed the acquisition of Stelco, allowing the company to emerge from creditor protection under the CCAA. As part of the restructuring, Stelco's lands are placed into a Land Vehicle (Land LP) with a mandate to produce value for retirees' pensions and OPEBs. Landco will have a board of directors, with one representative of both locals, one representative of the salaried employees as well as four independent members.	**Sept. 22** – Second draw on the Provincial landco loan ($1M)
Algoma	On November 9, 2015, Algoma filed for creditor protection under CCAA. Contributing factors include a supply chain interruption with its principal iron ore supplier, declining steel prices and demand, imported subsidized steel, and a highly leveraged balance sheet. Since November 1, 2016, Algoma's senior term lenders (the bidder which has emerged from Algoma's sale and investment process) have met with the provincial team (MNDM, MOECC, MOF and provincial advisors) and	**Sept. 27** – Motion to be heard **Fall 2017** - Tracking to TB

Item	Comments	Key Dates
	the federal government to present their business plan and requests of all stakeholders. The Union, Lenders and Company reached an agreement allowing MAGA (the Union, Tom Clarke and his financiers) to perform due diligence and present an offer by September 8. MAGA conducted due diligence but did not present an offer.. The CCAA Applicants have brought a motion forward to extend the stay of proceedings to March 31, 2018 and permit Algoma to pay the City of Sault Ste. Marie additional property taxes going forward, which the lenders have agreed to. Another party has expressed an interest in acquiring or making an investment in Algoma. The locals have wrote to the lenders, Tom Clarke and the new Pary indicating conditions on which they would reengage in discussions regarding the renewal of their collective agreements and the lenders have indicated they are willing to begin those discussions. Achieving revised collective agreements and pension arrangements is a condition to complete the recapitalization transaction.	
Affordable Housing	The Ministry of Housing (MHO) and Infrastructure (MOI) reported back to TB/MBC in June 2017 with a detailed program design for the Affordable Housing Lands Program and received approval to move forward with the first wave of pilot sites The program leverages surplus provincial properties to deliver affordable housing. The Ministry working with IO will support MHO and MOI in seeking TB approval for the next wave of pilot sites in the Fall.	**October 17** – TB approval

From:	Bruno Amara
To:	Ronald Kwan
Cc:	Shajee Kathirgamanathan; Gavin He
Subject:	M - FHP Briefing (2017 06 23 v3).pptx
Date:	Friday, June 23, 2017 3:44:42 PM
Attachments:	M - FHP Briefing (2017 06 23 v3).pptx

Hi Ron

See revised attached. We have tried to address your comments. The Indemnity slide is now 3 slides in trying to summarize key points and recommendation. We removed most comments that were taken care of. Slide 17 “Provincial Support Agreement” still has a number of comments where we are responding to your comments. Slide 19 Performance management fees, we have not yet determined whether Minister of Finance has an approval role. EIGs may be able to clarify.

Thanks
bruno

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division
June 28, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- Refinancing the Global Adjustment
- Outstanding Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - PILs Exemption
  - Performance Management Fees
- Appendix: GA Financing
  - GA Refinancing Structure
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- On May 31, 2017, the government passed the Ontario Fair Hydro Act, 2017, to enable the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits (essentially for those eligible for the Regulated Price Plan).
  - Implementation steps include a set of regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
    - The Global Adjustment recovers a portion of the commodity supply and conservation costs of electricity.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

Overview:
The Ontario Fair Hydro Plan (cont'd)

- Other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

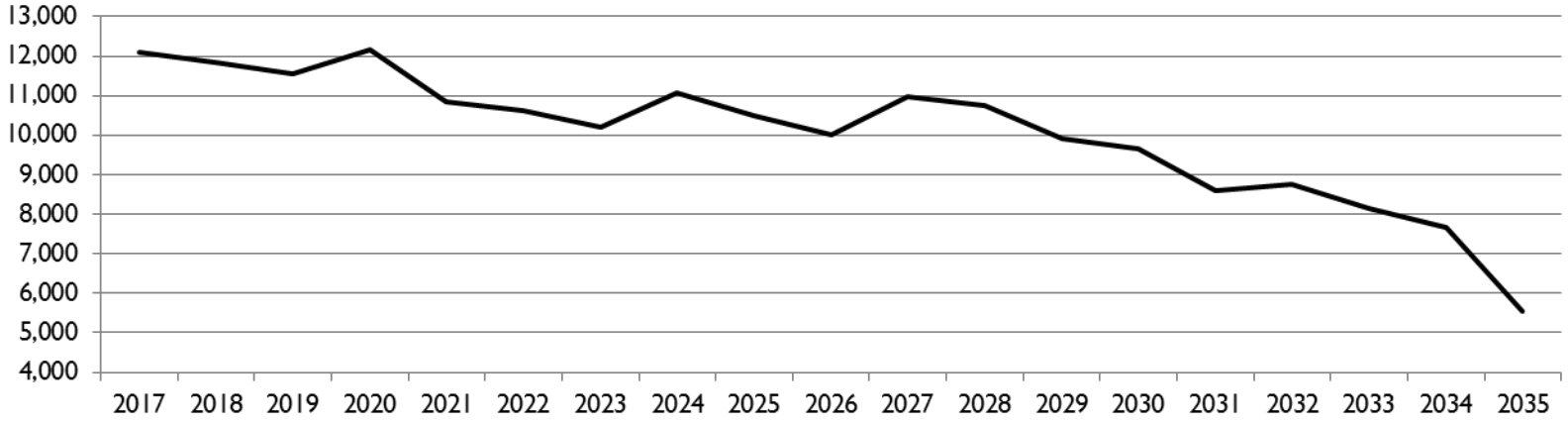
Refinancing the Global Adjustment

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



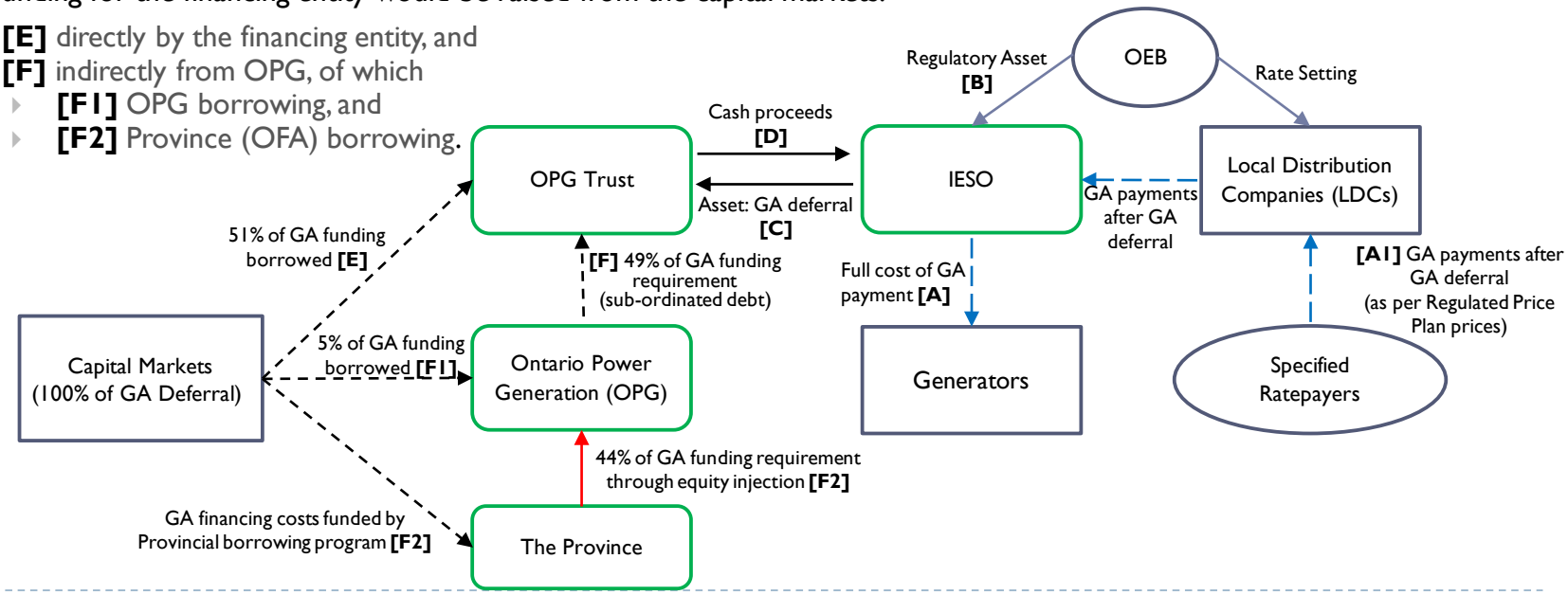
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG would be able to establish a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** Under the OFHP, the IESO will continue to pay generators their contracted and regulated prices. **[A1]** However, LDC payments will be less, as Regulated Price Plan prices are set based on a portion of the GA deferred in order to support the initial 25% reduction (and subsequent adjustments).
- **[B]** The IESO will set up a deferral account, vis a vis a 'regulatory asset', with a right to recover the deferred costs and financing costs, as authorised by the OEB.
- **[C]** Under the Act, the Independent Electricity System Operator (IESO) would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Province (OFA) borrowing.



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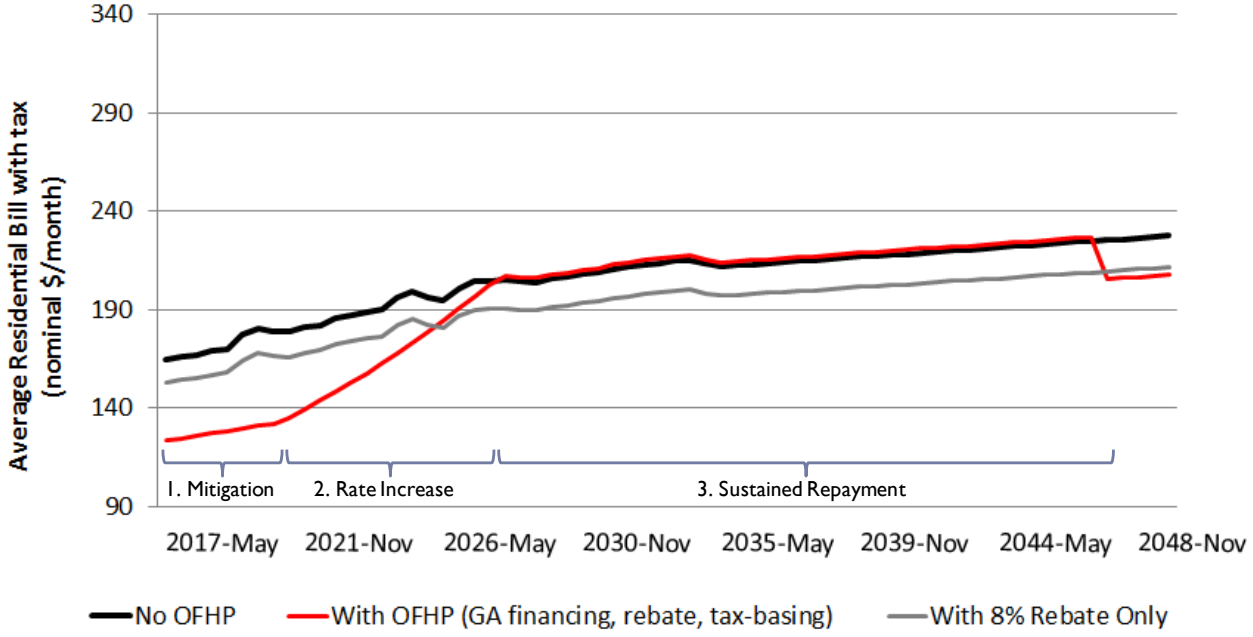

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- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

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- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
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  - Higher/lower Interest rates would lead to higher/lower refinancing costs
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  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

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  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

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(Requesting Minister's Approval)

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998,* the IESO is required to maintain investment, borrowing and financial management policies and procedures.

- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.

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  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017.*
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     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.

- OFA staff have reviewed and have no concerns with the requested changes.

Indemnity
(Requesting Minister's s.28 Approval)

- The Ministry of Energy is proposing to provide, on behalf of the Province, certain indemnities as requested by OPG and IESO, and is asking that the Minister of Finance, pursuant to Section 28 of the *Financial Administration Act, 1990 (*FAA*)*, approve this request.
  - OPG and IESO are requesting that the Province indemnify the corporations' respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan (OHFP).

- In implementing the OFHP, OPG and the IESO expect to carry out activities that fall outside the scope of their pre-OFHP typical business activities and corporate mandate. They believe that this creates the risk that such activities could be perceived as not being carried out in "good faith" or in the best interest of the corporation thereby exposing OPG and/or the IESO to increased liability.

- OPG and IESO note that existing statutory protections do not preclude a party from bringing an action or other civil proceeding against the corporation's directors, officers or employees, causing them to incur costs in defending the claim.

Indemnity (cont'd)
(Requesting Minister's s.28 Approval)

- Under the proposed Agreements, the Province would agree to indemnify and hold harmless the IESO's and OPG's respective directors, officers and employees from any claims, liabilities, costs or losses that might arise to the Protected Person as a result of their roles in carrying out activities related to the implementation of the ONFHP.
- The proposed Agreements note that under the Indemnities, a protected person would not be entitled to be indemnified in respect of losses for which coverage is provide elsewhere including through insurance policies or existing statutory indemnities.
- Indemnity is also not proposed to cover a protected person losses that are the result of such protected person's dishonesty, gross negligence or willful misconduct.
- The Agreement includes a waiver which restricts the Province's ability to bring any claims (other than those arising out of gross negligence and wilful misconduct) against the Protected Persons.
  - MENE believes the risk associated with providing this waiver is likely low given that it is unlikely that the Province would bring a claim against a Protected Person for acts they would be providing an indemnity to the Protected Person for.

Indemnity (cont'd)
(Requesting Minister's s.28 Approval)

- Ministry of Finance staff recommend approval of the s.28 request.
  - Ministry of Energy indicates that the Indemnities have been requested by the companies, supporting the implementation of the OFHP.
  - The Ministry of Energy states that the risk of the Province providing the Indemnities is undeterminable and unquantifiable at this time, due to uncertainty around possible claims under the Indemnities. MENE notes, however, that the risk is mitigated by the existence of statutory immunities under the *Electricity Act, 1998,* for IESO, and under the *OFHP Act, for OPG,* pre-existing protection for director, officers and employees under insurance and, the limitation of indemnity to claims arising from IESO's and OPG's respective roles in implementing the OFHP.
  - MENE notes that in the event that an indemnity claim does arise and a payment is required, the Ministry would be unlikely to be able to support these payments and would need to return to TB/MBC for an increase in its allocation.

Provincial Support Agreement
[Ministers' Approval Item]

- The OFHP Act, s. 5, outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (with respect to debts, obligations, securities or undertakings associated with an investment interest), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
  - This is separate from the indemnities proposed to be provided by the Ministry of Energy for OPG, IESO and respective directors, officers and employees with respect to their activities in implementing the Fair Hydro Plan.
  - The Provincial Support Agreement is currently under discussion among Ministry of Energy, Ministry of Finance, OFA, external legal consultants and OPG.
  - Note: Separation between the Province and OPG is necessary to maintain appropriate accounting treatment.
- There are three facets of the draft proposed Provincial Support Agreement currently under discussion. Each of these would require Agreement/approval of Ministers of Energy and Finance:
  1. Service Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including billing, collection and remittance of clean energy adjustments.
  2. Indemnity: Provided by Province for Financing Entity against third party claims as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity. Indemnity applies only to direct government actions and would not cover, for instance, OPG activities.
  3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and, if unable to do so, possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.

Equity Injection – Key Proposed Terms

OFA Support under a Service Agreement

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Ministry of Energy (as Shareholder) will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements. OPG will provide forecasts of its equity requirements for the upcoming three years in its business plan submission.
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
  - OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements
  - OPG will have the right to repay equity subordinated to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the debt is made commencing in 2027
- Ministry of Energy and OFA would, as proposed, have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy, subject to the approved PRRT amount and 44% share.

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount.
- MOF (OFA) and Ministry of Energy are currently reviewing OPG's performance management fee proposal. [who approves?]

Payment in Lieu of Taxes Exemption (Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is a PILs exemption for the income arising from the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - With no PILs exemption, ratepayers will bear the cost of PILs through the rate base.
  - OPG has sought a broad comprehensive PILs exemption for a variety of potential financing structures including corporations, trusts or partnerships.

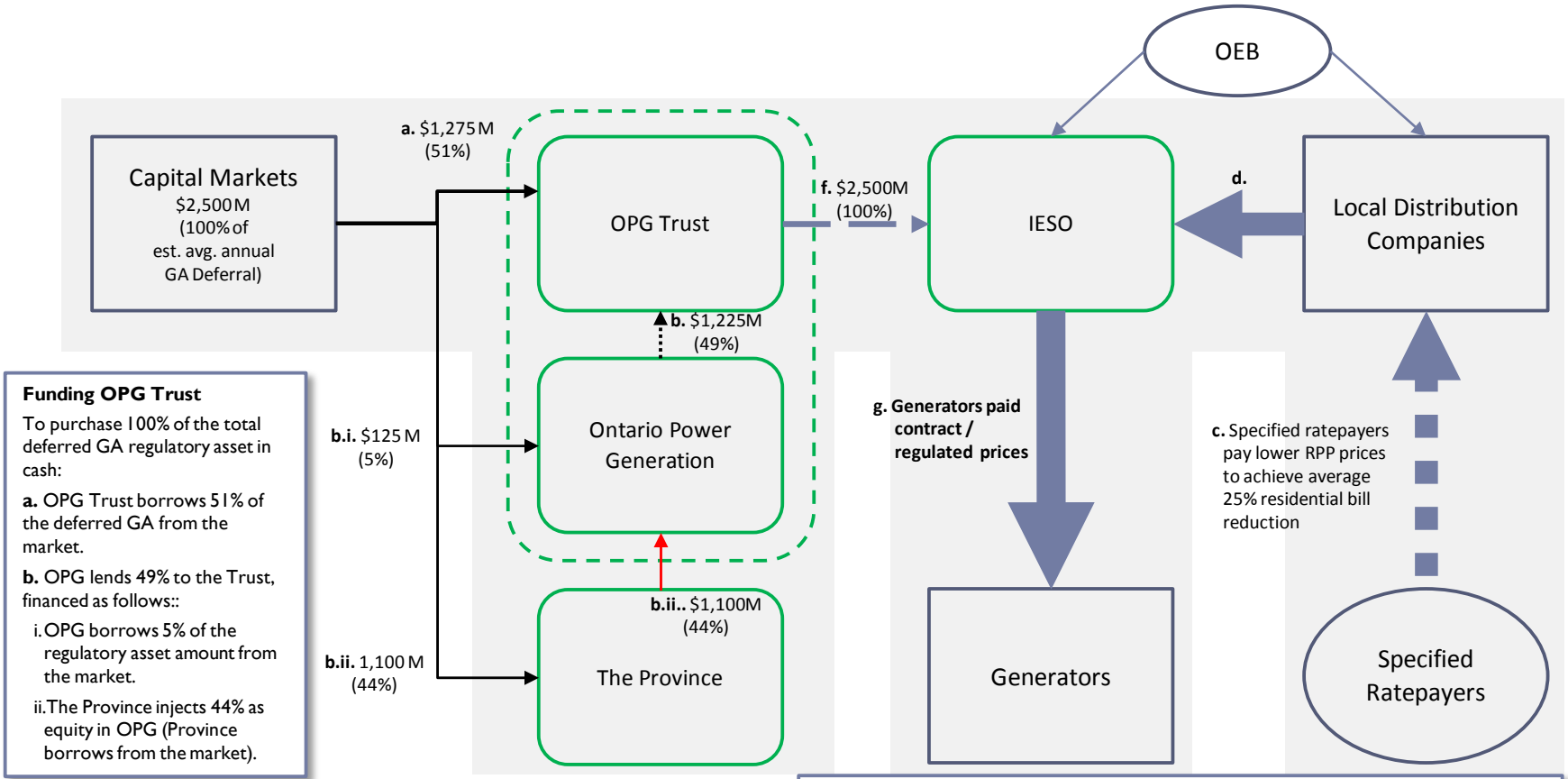
- The PILs regulations under the *Electricity Act* are under the purview of the Minister of Finance.

- TPD recommends a regulatory exemption for the specific financing structure once the optimal structure is determined. A blanket exemption would create significant risks to provincial revenue and require a number of complex conditions to minimize the potential for precedents and tax avoidance.

- TPD will finalize the required regulation once OPG advises on the final structure and any anticipated future changes to the structure.

Appendix: GA Financial Flows & MOF / OFA Roles

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

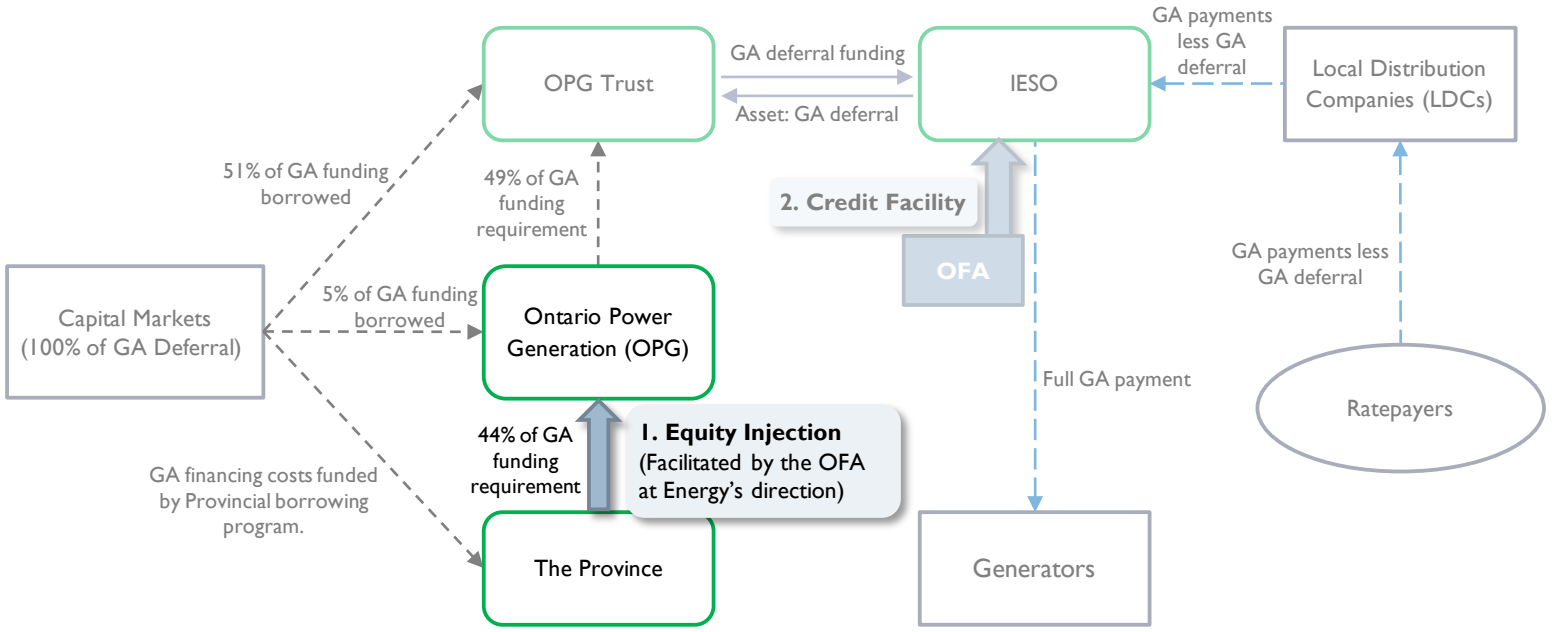
f. IESO sells this asset for cash to OPG Trust.

g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

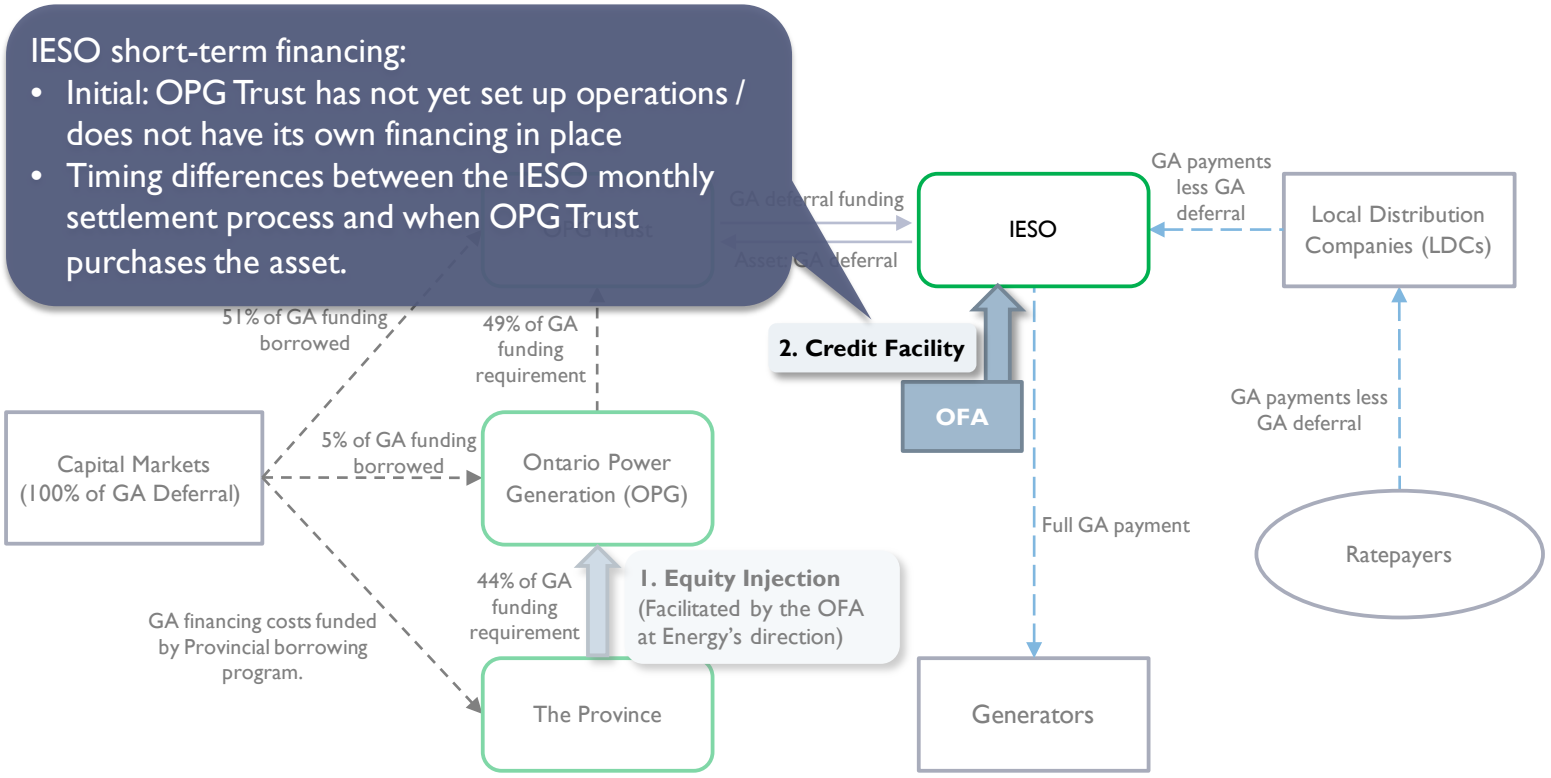
- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

OFA/IESO Credit Facility

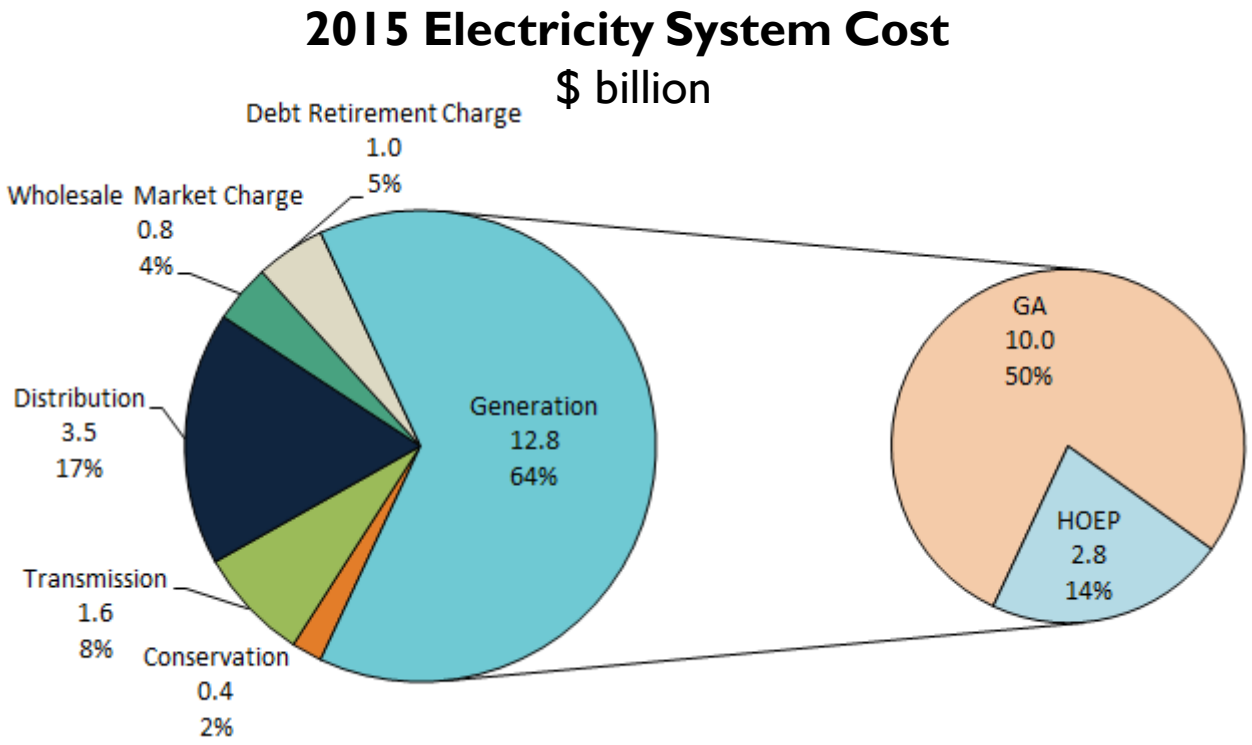
- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Appendix: Background

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

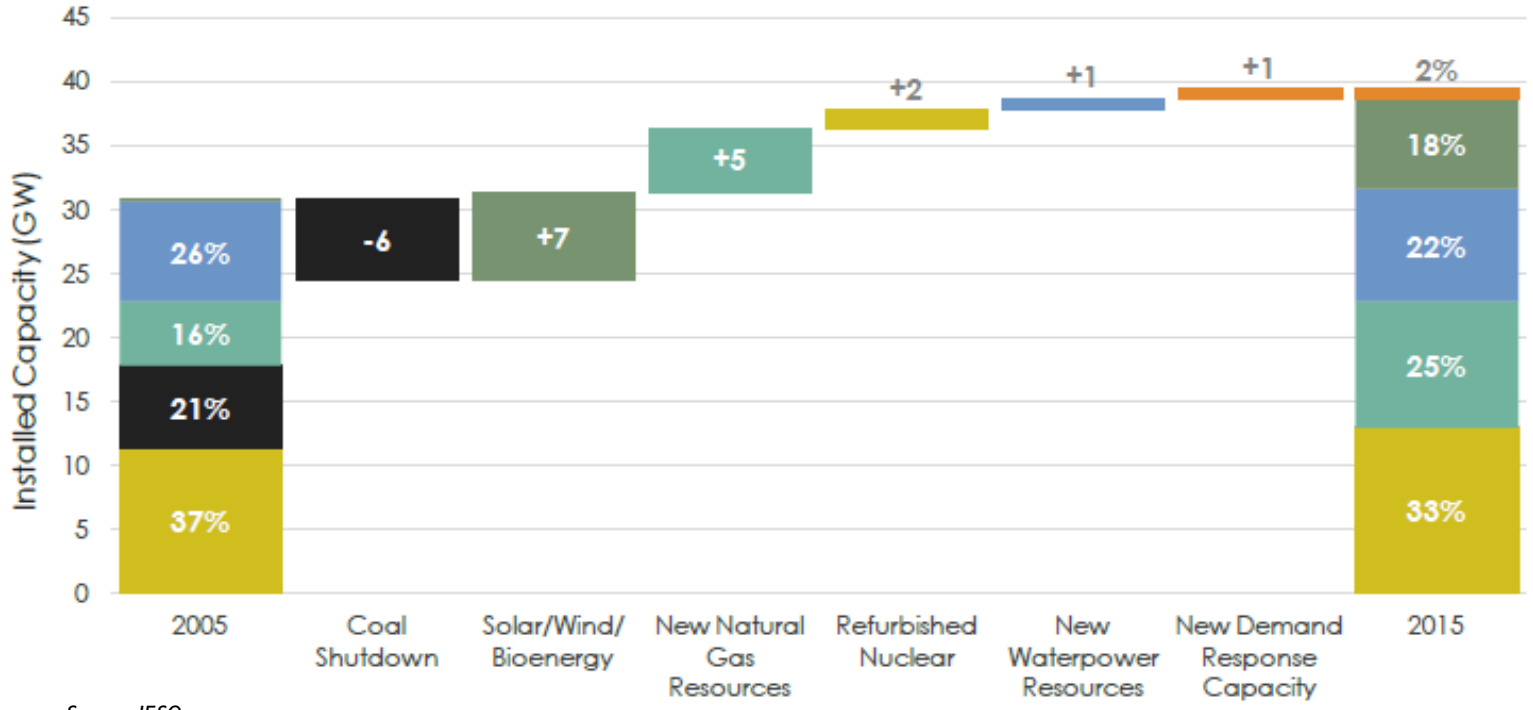
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

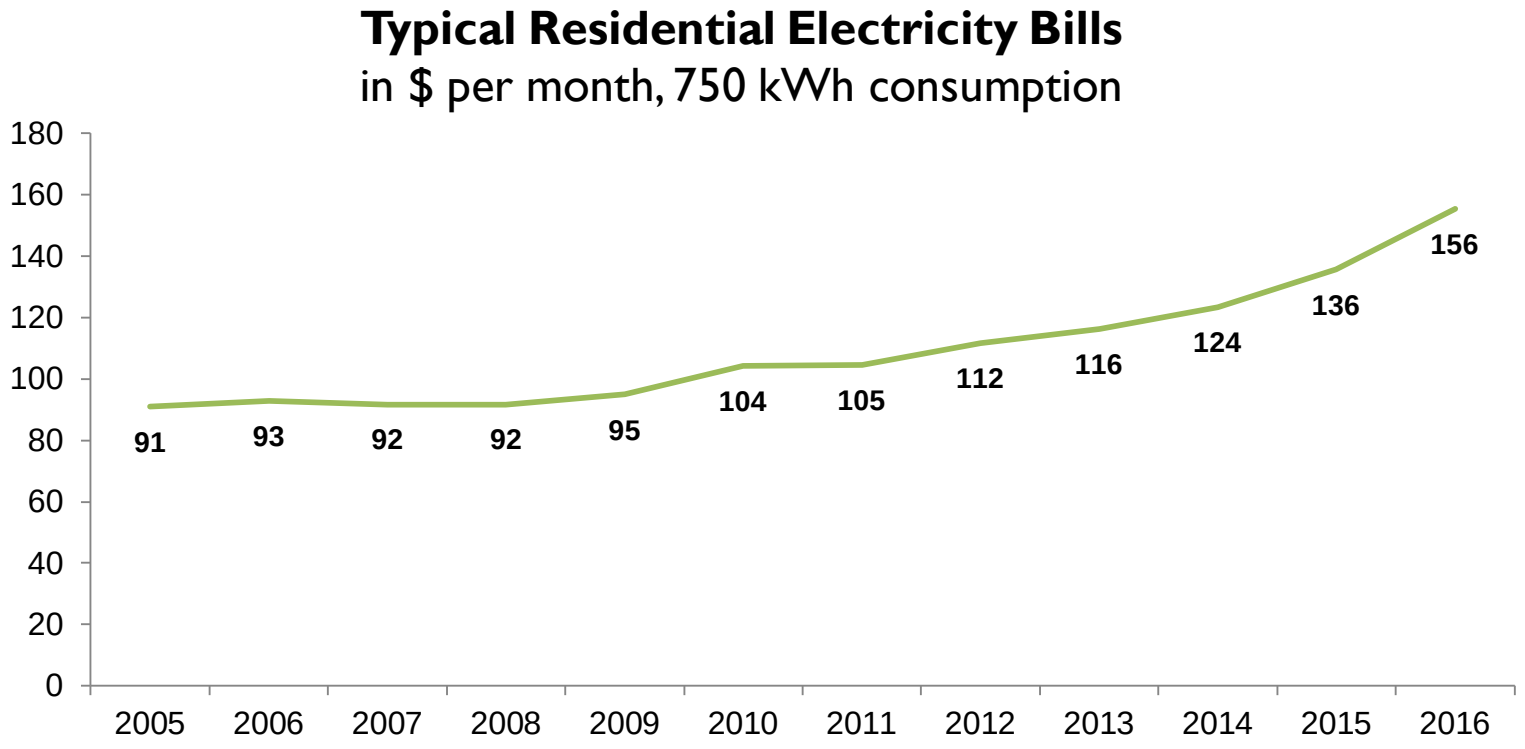
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From: Bruno Amara
To: Ronald Kwan
Cc: Shajee Kathirgamanathan; Gavin He
Subject: M - FHP Briefing (2017 06 23 v4).pptx
Date: Friday, June 23, 2017 4:31:27 PM
Attachments: M - FHP Briefing (2017 06 23 v4).pptx

Ron

Indemnity slides are revised to include corporations (OPG and subsidiaries and IESO) as well as directors officers and employees. Also specifically noted that financing entity is not included.

Bruno

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division
June 28, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- Refinancing the Global Adjustment
- Outstanding Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - PILs Exemption
  - Performance Management Fees
- Appendix: GA Financing
  - GA Refinancing Structure
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- On May 31, 2017, the government passed the Ontario Fair Hydro Act, 2017, to enable the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits (essentially for those eligible for the Regulated Price Plan).
  - Implementation steps include a set of regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
    - The Global Adjustment recovers a portion of the commodity supply and conservation costs of electricity.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

Overview:
The Ontario Fair Hydro Plan (cont'd)

- Other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

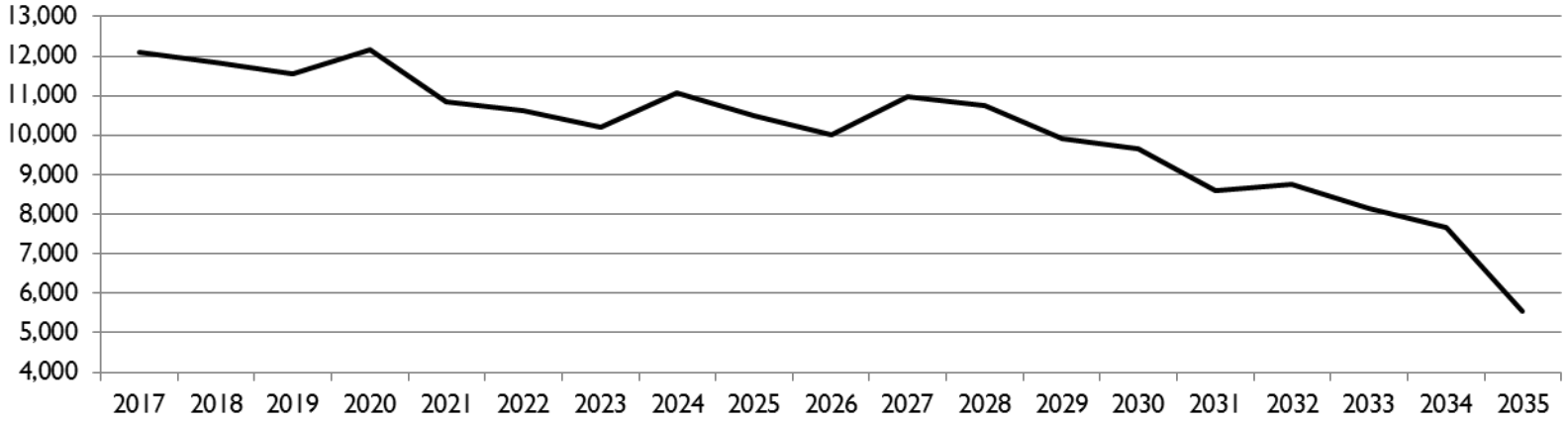
Refinancing the Global Adjustment

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG would be able to establish a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** Under the OFHP, the IESO will continue to pay generators their contracted and regulated prices. **[A1]** However, LDC payments will be less, as Regulated Price Plan prices are set based on a portion of the GA deferred in order to support the initial 25% reduction (and subsequent adjustments).
- **[B]** The IESO will set up a deferral account, vis a vis a 'regulatory asset', with a right to recover the deferred costs and financing costs, as authorised by the OEB.
- **[C]** Under the Act, the Independent Electricity System Operator (IESO) would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
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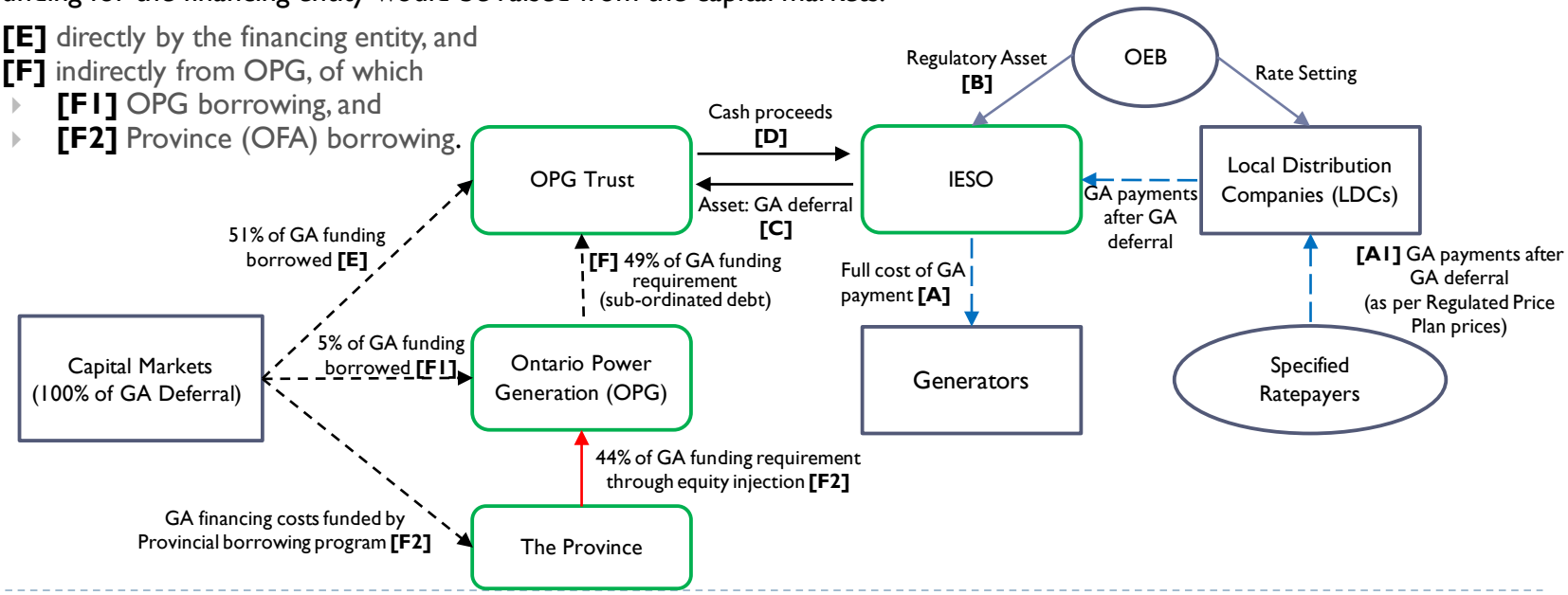

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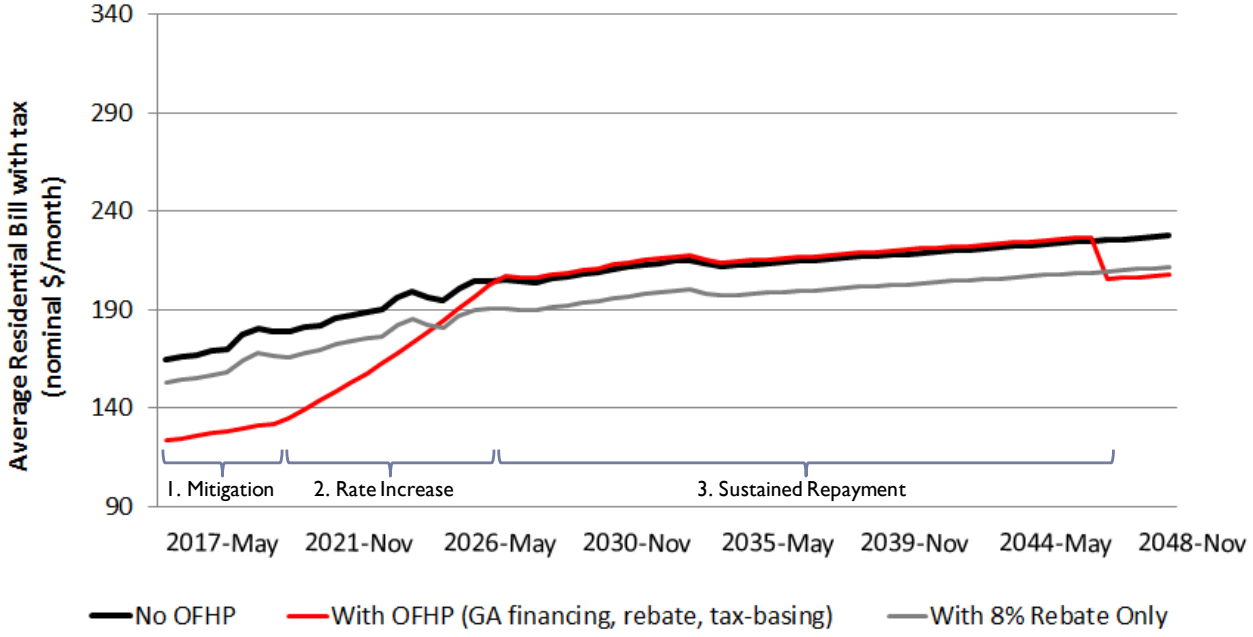

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- In implementing the OFHP, OPG and the IESO expect to carry out activities that fall outside the scope of their pre-OFHP typical business activities and corporate mandate. They believe that this creates the risk that such activities could be perceived as not being carried out in "good faith" or in the best interest of the corporation thereby exposing OPG and/or the IESO to increased liability.

- OPG and IESO note that existing statutory protections do not preclude a party from bringing an action or other civil proceeding against the corporation's directors, officers or employees, causing them to incur costs in defending the claim.

Indemnity (cont'd)
(Requesting Minister's s.28 Approval)

- Under the proposed Agreements, the Province would agree to indemnify and hold harmless the corporations and their respective directors, officers and employees from any claims, liabilities, costs or losses that might arise to the Protected Person as a result of their roles in carrying out activities related to the implementation of the ONFHP.
- The proposed Agreements note that under the Indemnities, a protected person would not be entitled to be indemnified in respect of losses for which coverage is provide elsewhere including through insurance policies or existing statutory indemnities.
- Indemnity is also not proposed to cover a protected person losses that are the result of such protected person's dishonesty, gross negligence or willful misconduct.
- The Agreement includes a waiver which restricts the Province's ability to bring any claims (other than those arising out of gross negligence and wilful misconduct) against the Protected Persons.
  - MENE believes the risk associated with providing this waiver is likely low given that it is unlikely that the Province would bring a claim against a Protected Person for acts they would be providing an indemnity to the Protected Person for.

Indemnity (cont'd)
(Requesting Minister's s.28 Approval)

- Ministry of Finance staff recommend approval of the s.28 request.
  - Ministry of Energy indicates that the Indemnities have been requested by the companies, supporting the implementation of the OFHP.
  - The Ministry of Energy states that the risk of the Province providing the Indemnities is undeterminable and unquantifiable at this time, due to uncertainty around possible claims under the Indemnities. MENE notes, however, that the risk is mitigated by the existence of statutory immunities under the *Electricity Act, 1998,* for IESO, and under the *OFHP Act, for OPG,* pre-existing protection for director, officers and employees under insurance and, the limitation of indemnity to claims arising from IESO's and OPG's respective roles in implementing the OFHP.
  - MENE notes that in the event that an indemnity claim does arise and a payment is required, the Ministry would be unlikely to be able to support these payments and would need to return to TB/MBC for an increase in its allocation.

Provincial Support Agreement
[Ministers' Approval Item]

- The OFHP Act, s. 5, outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (with respect to debts, obligations, securities or undertakings associated with an investment interest), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
  - This is separate from the indemnities proposed to be provided by the Ministry of Energy for OPG, IESO and respective directors, officers and employees with respect to their activities in implementing the Fair Hydro Plan.
  - The Provincial Support Agreement is currently under discussion among Ministry of Energy, Ministry of Finance, OFA, external legal consultants and OPG.
  - Note: Separation between the Province and OPG is necessary to maintain appropriate accounting treatment.
- There are three facets of the draft proposed Provincial Support Agreement currently under discussion. Each of these would require Agreement/approval of Ministers of Energy and Finance:
  1. Service Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including billing, collection and remittance of clean energy adjustments.
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  3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and, if unable to do so, possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.

Equity Injection – Key Proposed Terms

OFA Support under a Service Agreement

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Ministry of Energy (as Shareholder) will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements. OPG will provide forecasts of its equity requirements for the upcoming three years in its business plan submission.
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
  - OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements
  - OPG will have the right to repay equity subordinated to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the debt is made commencing in 2027
- Ministry of Energy and OFA would, as proposed, have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy, subject to the approved PRRT amount and 44% share.

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount.
- MOF (OFA) and Ministry of Energy are currently reviewing OPG's performance management fee proposal. [who approves?]

Payment in Lieu of Taxes Exemption (Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is a PILs exemption for the income arising from the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - With no PILs exemption, ratepayers will bear the cost of PILs through the rate base.
  - OPG has sought a broad comprehensive PILs exemption for a variety of potential financing structures including corporations, trusts or partnerships.

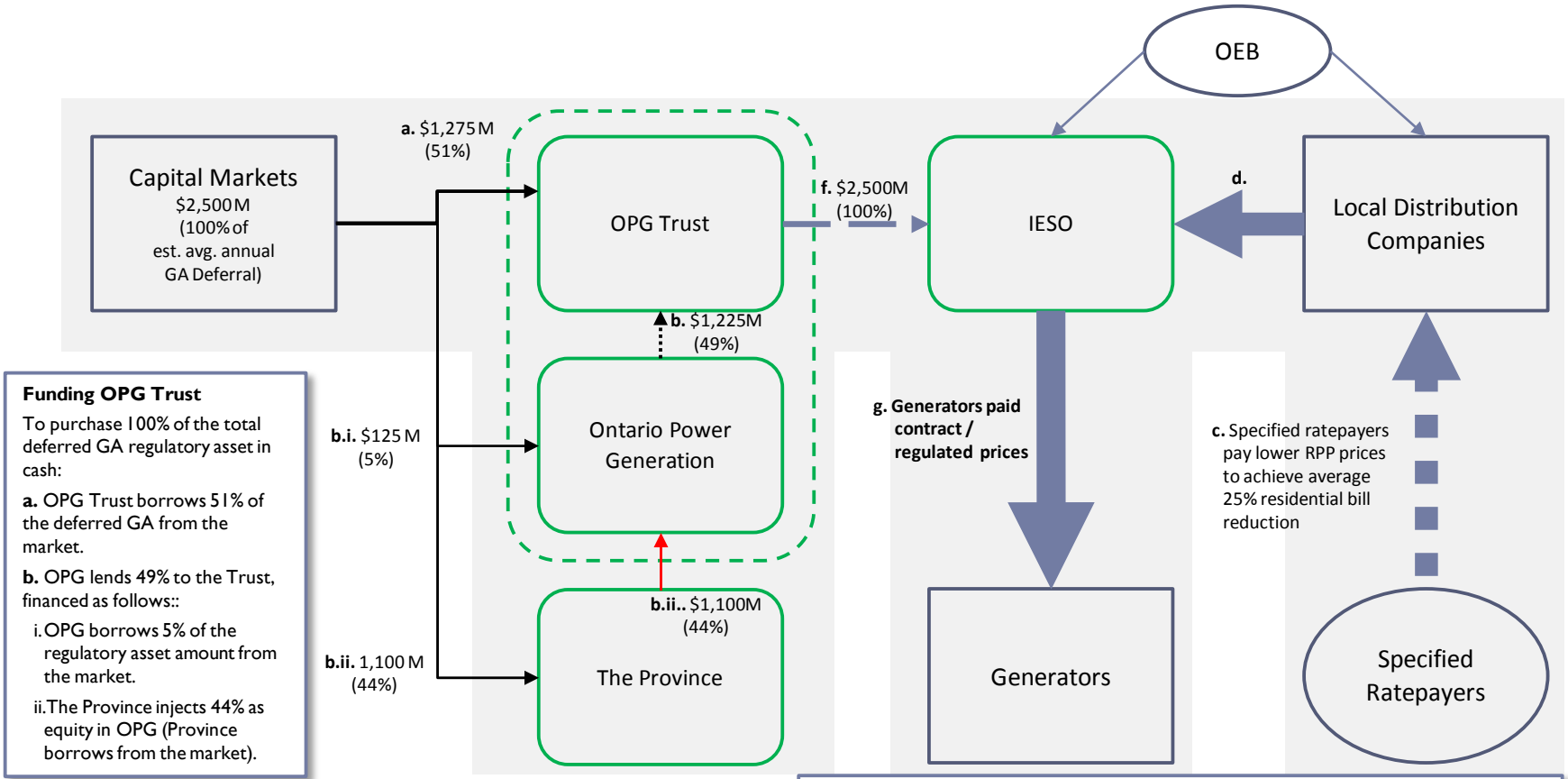
- The PILs regulations under the *Electricity Act* are under the purview of the Minister of Finance.

- TPD recommends a regulatory exemption for the specific financing structure once the optimal structure is determined. A blanket exemption would create significant risks to provincial revenue and require a number of complex conditions to minimize the potential for precedents and tax avoidance.

- TPD will finalize the required regulation once OPG advises on the final structure and any anticipated future changes to the structure.

Appendix: GA Financial Flows & MOF / OFA Roles

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

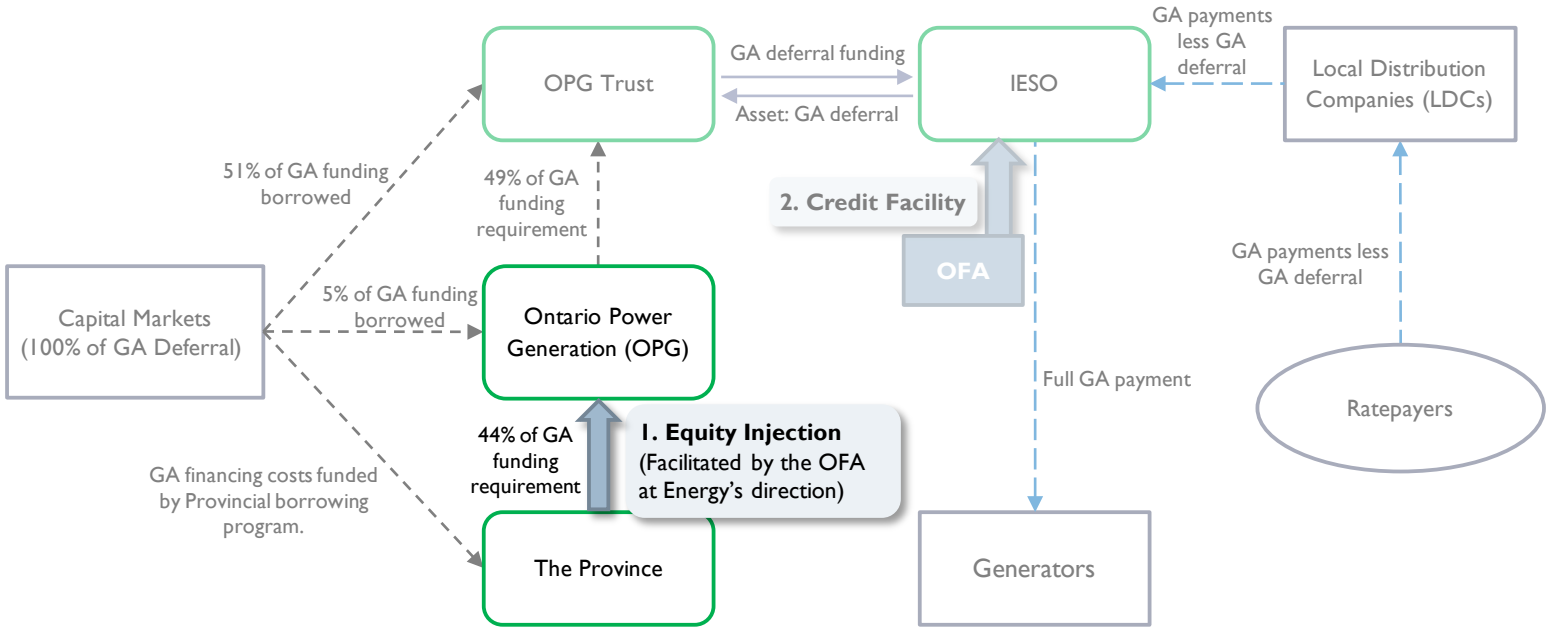
f. IESO sells this asset for cash to OPG Trust.

g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

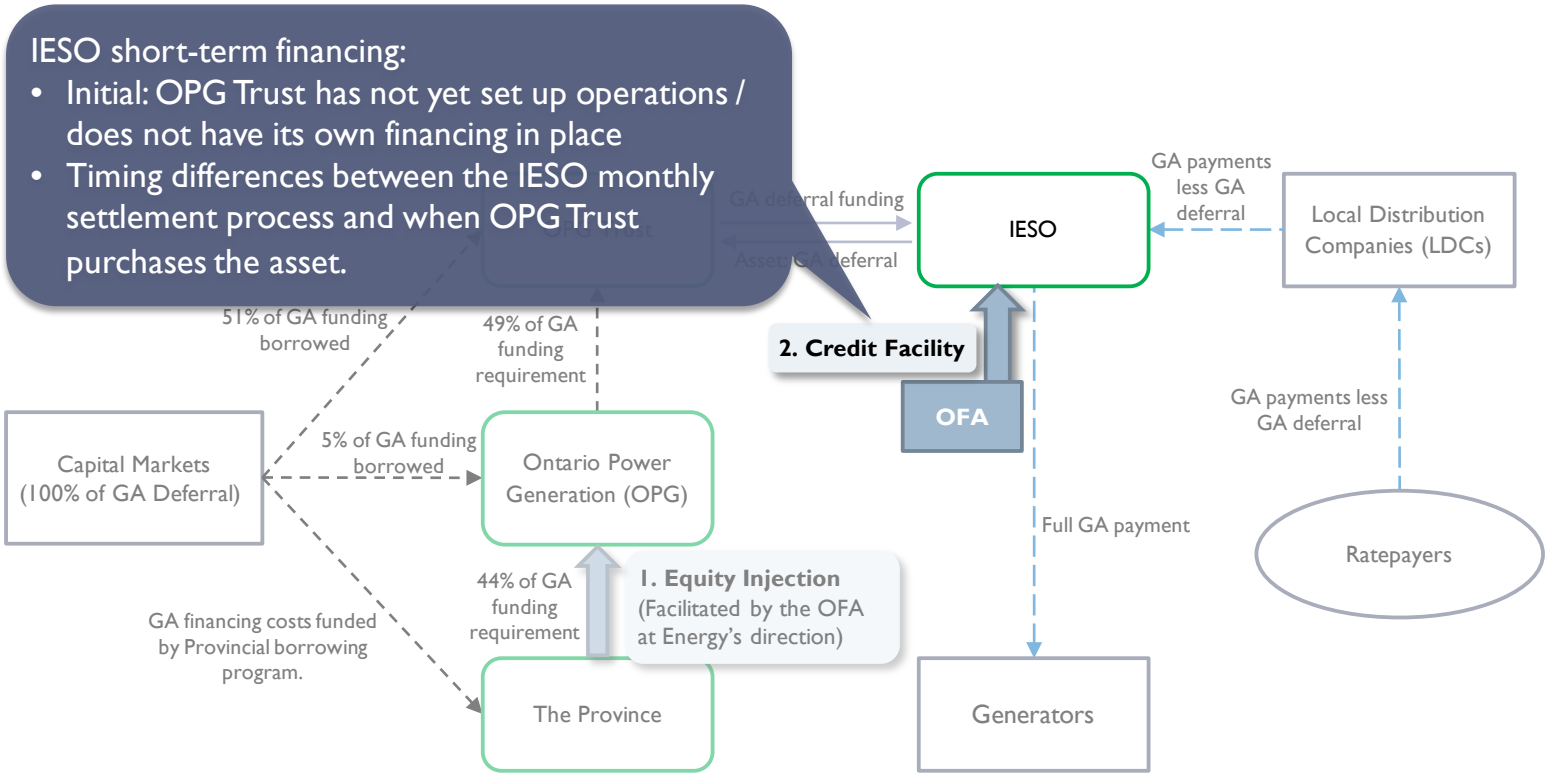
- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

OFA/IESO Credit Facility

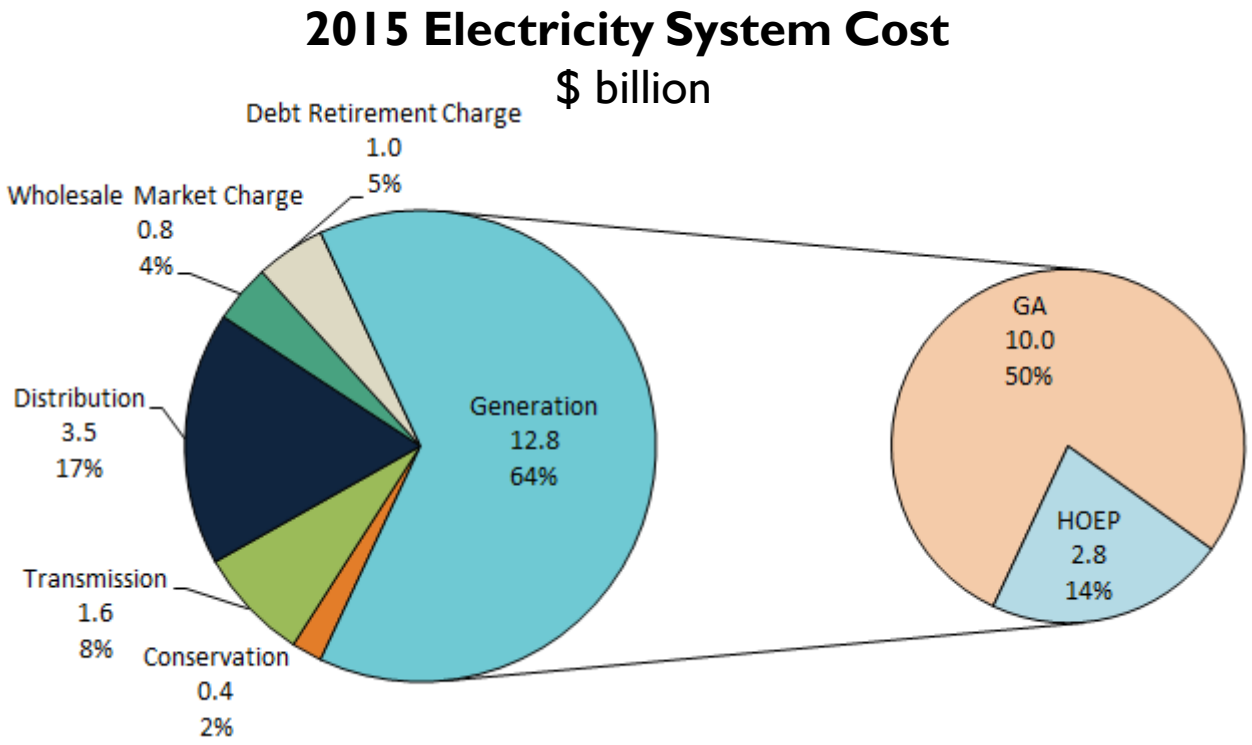
- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Appendix: Background

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

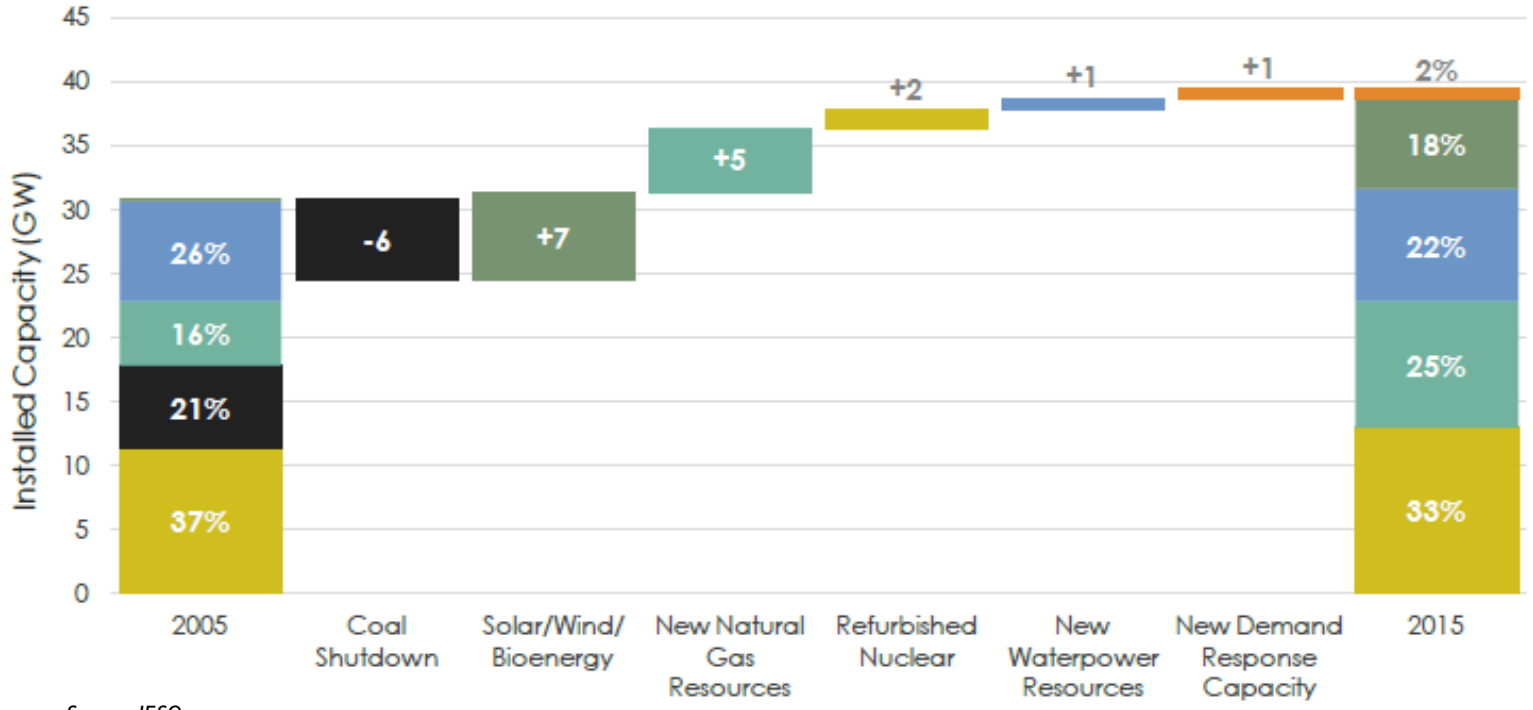
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

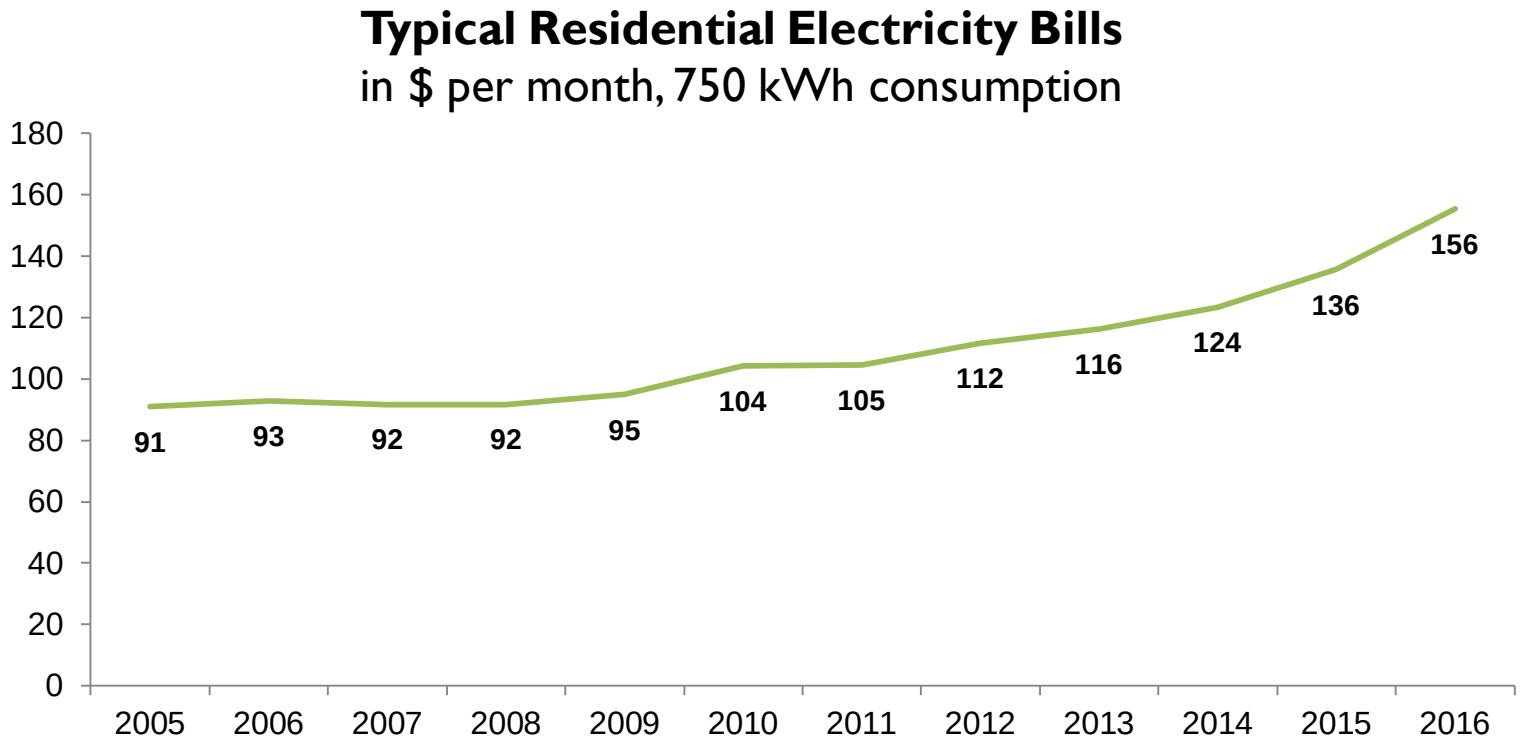
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From:	Bruno Amara
To:	Ronald Kwan
Cc:	Shajee Kathirgamanathan; Gavin He; Salman Qadir
Subject:	M - FHP Briefing (2017 06 23 v7).pptx
Date:	Friday, June 23, 2017 5:49:19 PM
Attachments:	M - FHP Briefing (2017 06 23 v7).pptx

Ron see revised slides.

On related matters. There was back and forth most of the day amongst EFB, MOF Legal and Energy Legal with respect to finalizing Indemnity Agreements. I think they should be near final at this point. M. Energy to provide signed request letter on Tuesday. We hope to have a draft on Monday. MoF Legal did not have a change to respond further on the briefing note today, so we will need to finalize that, hopefully on Monday.

We aim to have approvals packages for 1) Treasury Policy 2) Minister's Directive to OFA re lending facility and 3) Indemnity approval for early next week.

Thanks
Bruno

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division

DRAFT: June 28, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- Refinancing the Global Adjustment
- Outstanding Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - PILs Exemption
  - Performance Management Fees
- Appendix: GA Financing
  - GA Refinancing Structure
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- On May 31, 2017, the government passed the Ontario Fair Hydro Act, 2017, to enable the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits (essentially for those eligible for the Regulated Price Plan).
  - Implementation steps include a set of regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
    - The Global Adjustment recovers a portion of the commodity supply and conservation costs of electricity.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

Overview:
The Ontario Fair Hydro Plan (cont'd)

- Other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

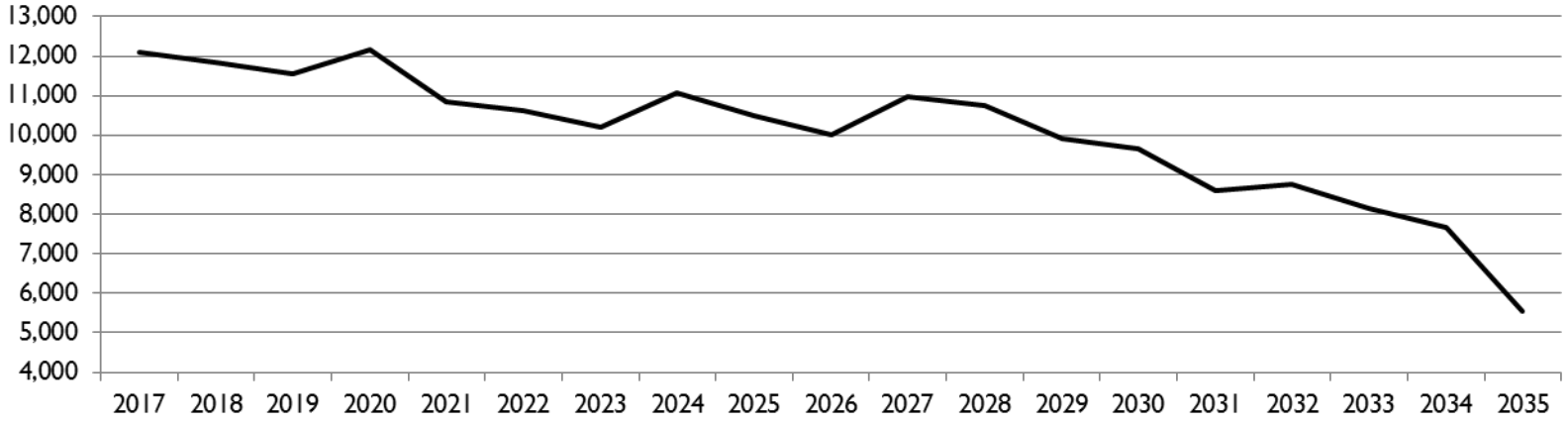
Refinancing the Global Adjustment

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



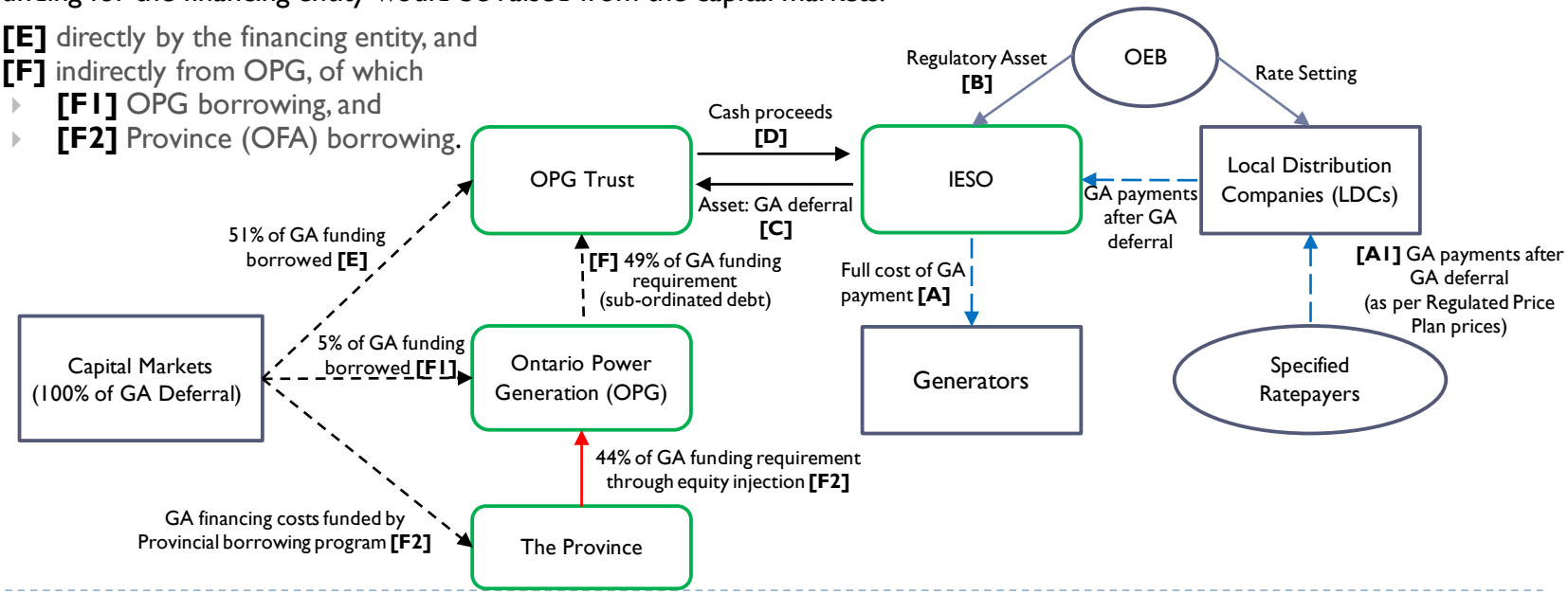
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the deferred amounts and cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

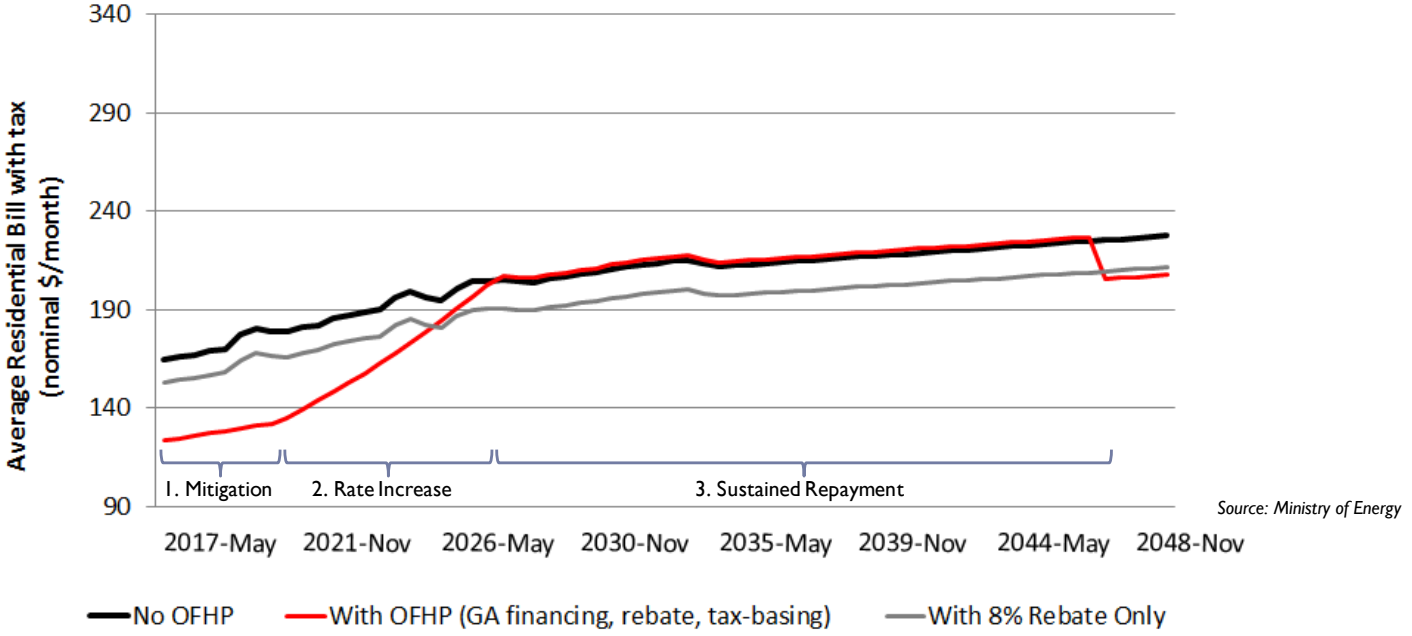
GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG would be able to establish a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** Under the OFHP, the IESO will continue to pay generators their contracted and regulated prices. **[A1]** However, LDC payments will be less, as Regulated Price Plan prices are set based on a portion of the GA deferred in order to support the initial 25% reduction (and subsequent adjustments).
- **[B]** The IESO will set up a deferral account, vis a vis a 'regulatory asset', with a right to recover the deferred costs and financing costs, as authorised by the OEB.
- **[C]** Under the Act, the Independent Electricity System Operator (IESO) would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Province (OFA) borrowing.



Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Source: Ministry of Energy

Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

MOF-Related Outstanding Issues

Provincial Support Agreement
[Ministers' Approval Item: Pending]

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IESO Treasury Policy
(For Minister's Approval)

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998,* the IESO is required to maintain investment, borrowing and financial management policies and procedures.

- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.

- The revised IESO Treasury Policy incorporates the following two changes:
  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017.*
  2. Increase counterparty exposure to Schedule A Canadian Banks from the current $420million to $500 million, an increase of $80 million exposure per counterparty.
     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.

- OFA staff have reviewed and have no concerns with the requested changes.

Equity Injection – Key Proposed Terms

OFA to Support under a Service Level Agreement

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Ministry of Energy (as Shareholder) will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements. OPG will provide forecasts of its equity requirements for the upcoming three years in its business plan submission.
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
  - OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements
  - OPG will have the right to repay equity subordinated to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the debt is made commencing in 2027
- Ministry of Energy and OFA would, as proposed, have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy, subject to the approved PRRT amount and 44% share.

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
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  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount.
- MOF (OFA) and Ministry of Energy are currently reviewing OPG's performance management fee proposal. [who approves?]

Payment in Lieu of Taxes Exemption
(Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is a PILs exemption for the income arising from the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
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- The PILs regulations under the Electricity Act are under the purview of the Minister of Finance.

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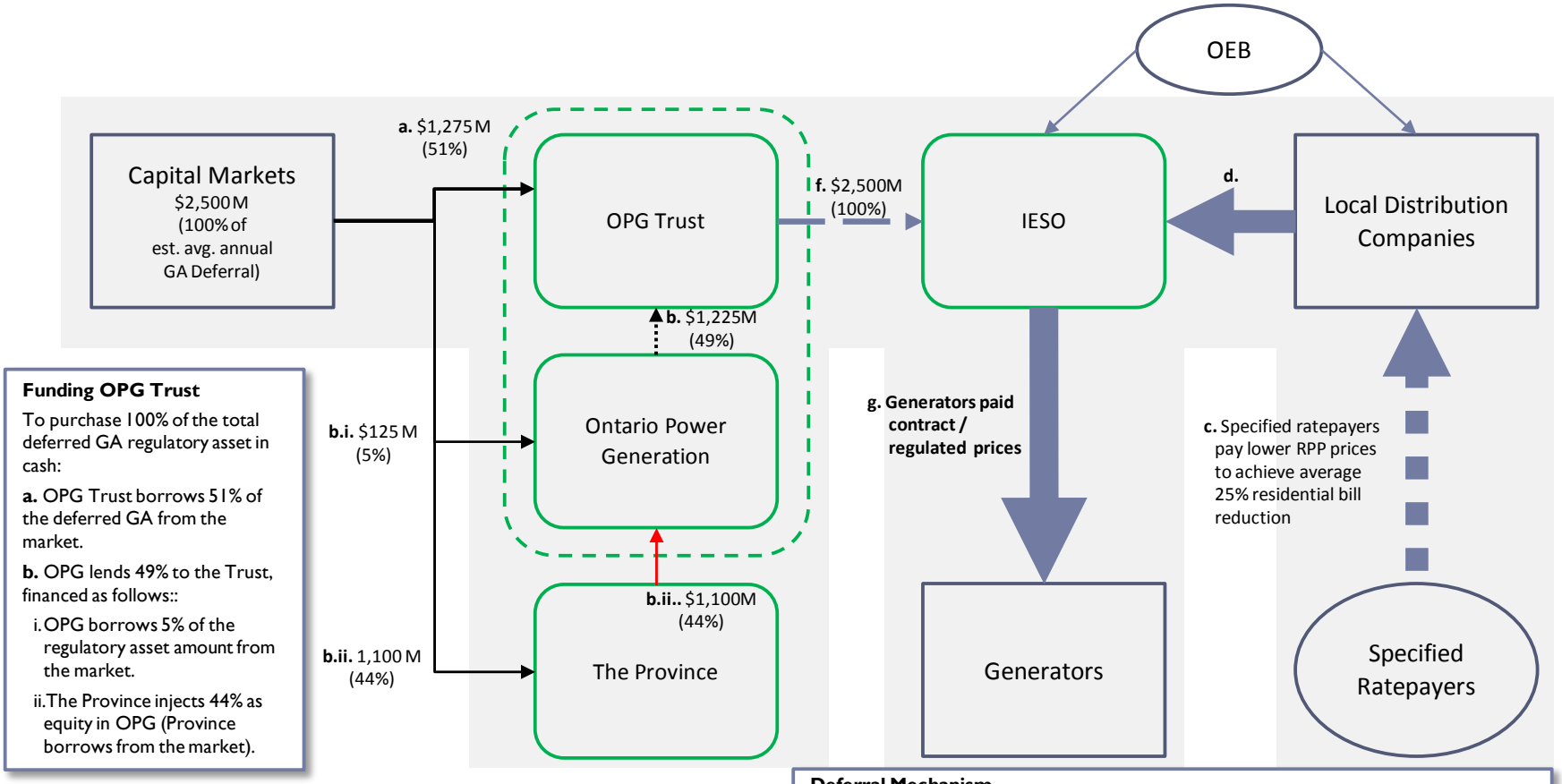
  - OPG has raised questions on the timeliness of response for a new regulation, as OPG special purpose vehicles for financing may be put together quickly to respond to different markets and market conditions

Appendix: GA Financial Flows & MOF / OFA Roles

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

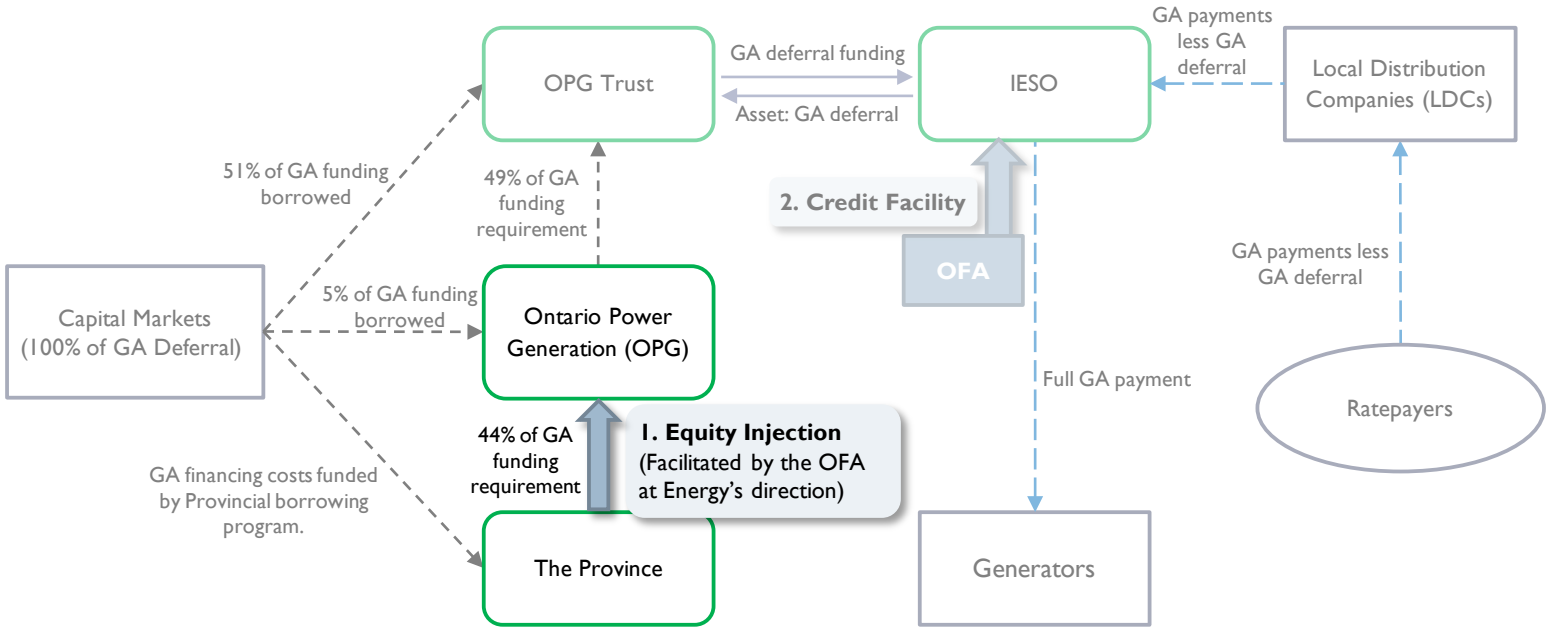
f. IESO sells this asset for cash to OPG Trust.

g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

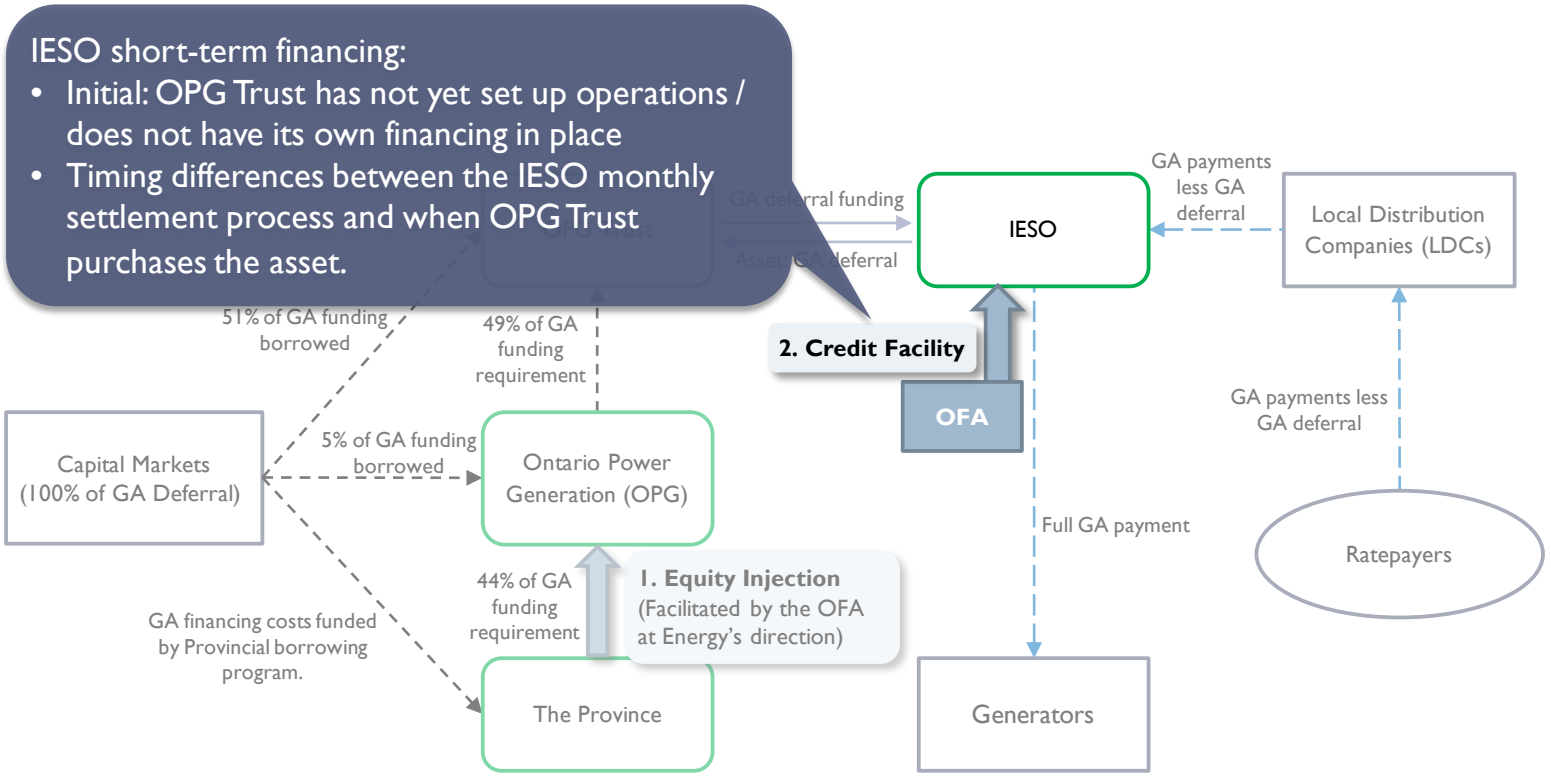
- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

OFA/IESO Credit Facility

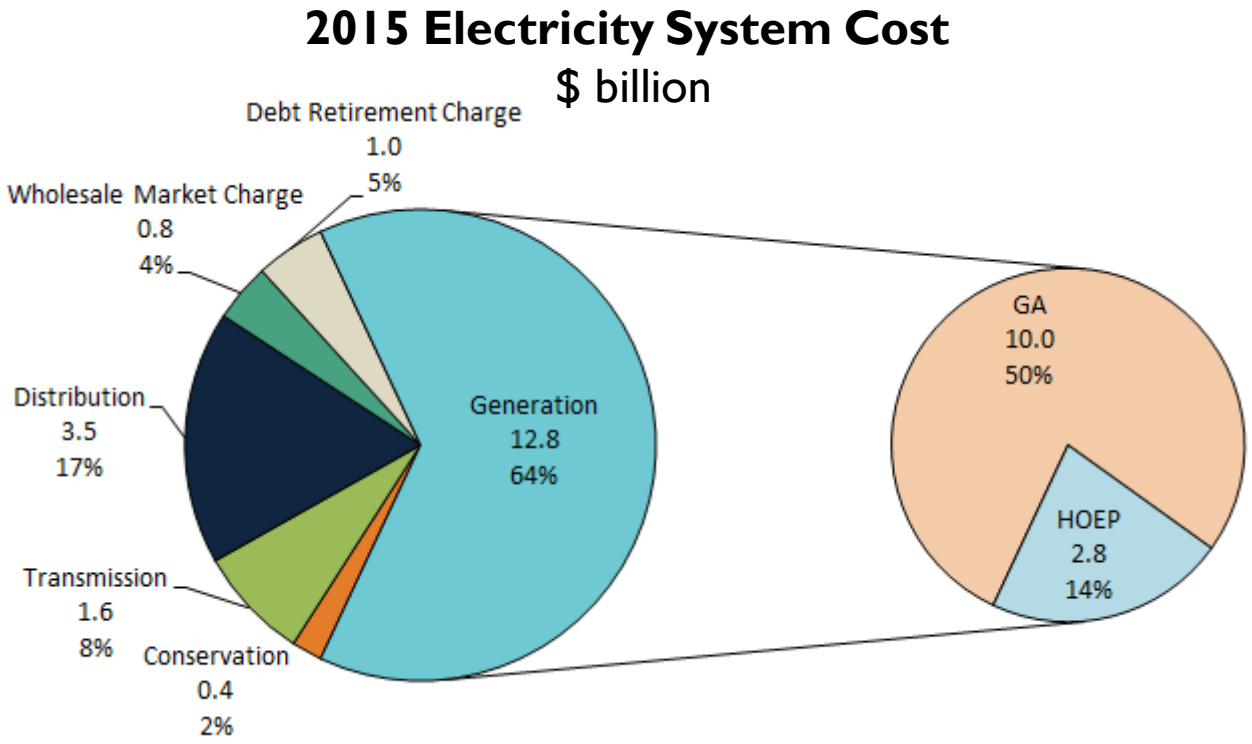
- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Appendix: Background

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

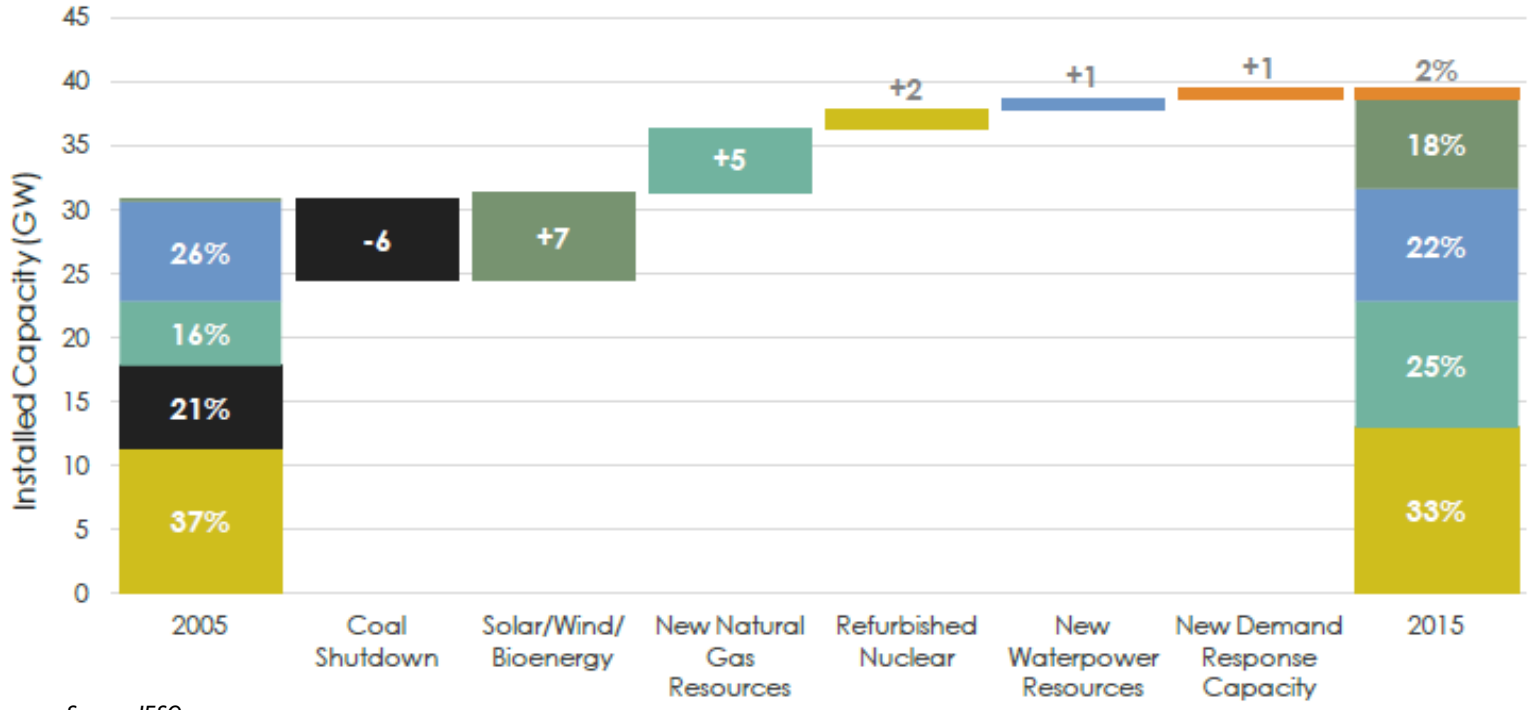
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

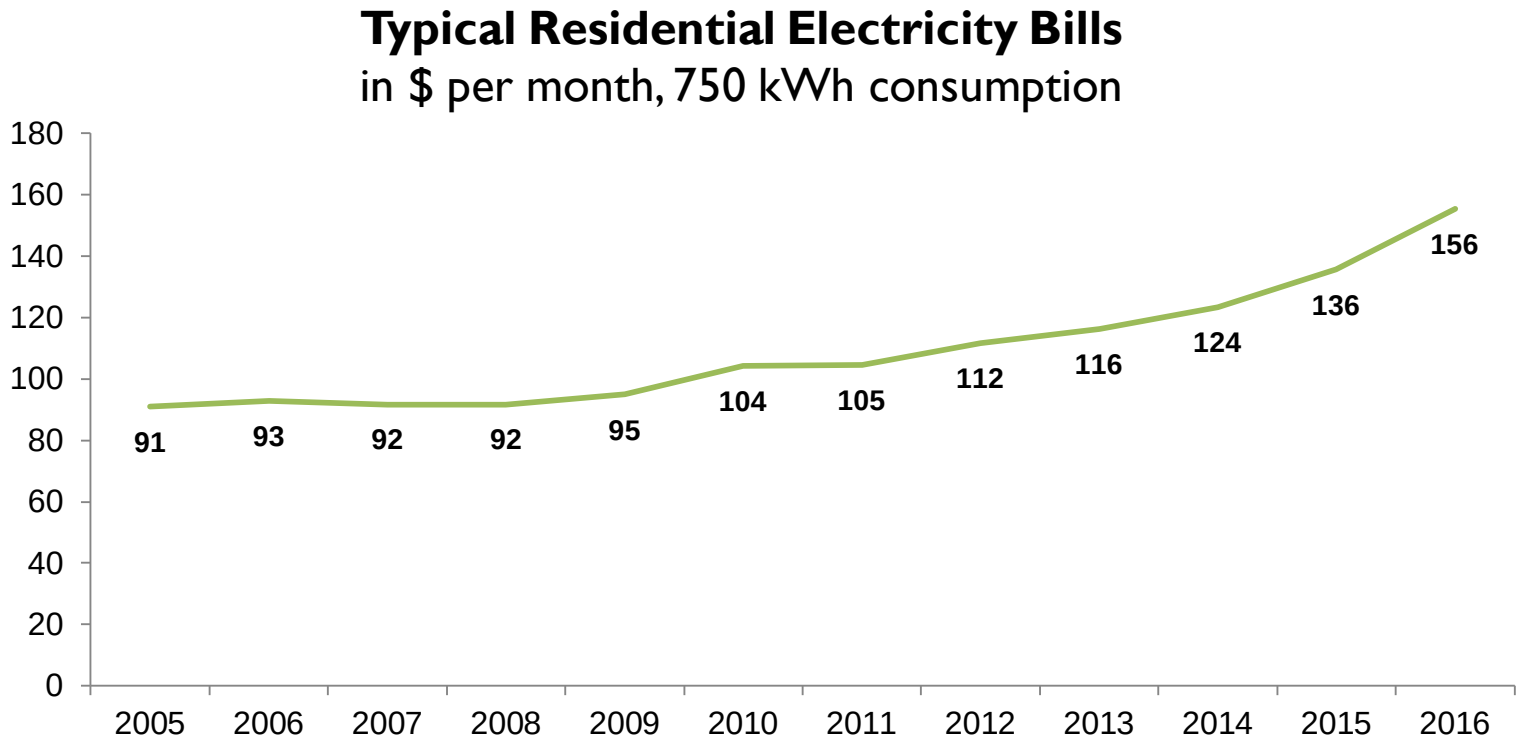
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From:	Bruno Amara
To:	Ronald Kwan
Cc:	Gavin He
Subject:	M - FHP Briefing (2017 06 26 v02cy)_Markup3-TPW Comments (003).pptx
Date:	Tuesday, June 27, 2017 11:43:48 AM
Attachments:	M - FHP Briefing (2017 06 26 v02cy)_Markup3-TPW Comments (003).pptx

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Ron

I will try and add expected dates. Meanwhile I took your last edits, added a few of my own (red text). I sent deck to Legal, they had one comment on indemnity slide, I'm following up for appropriate edits.

Bruno

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division

DRAFT: June 28, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- Refinancing the Global Adjustment
- MOF-Related Outstanding Business Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - Performance Management Fees
  - PILs Exemption
- Appendix: GA Financing
  - GA Refinancing
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

Overview:
Ontario's Fair Hydro Plan

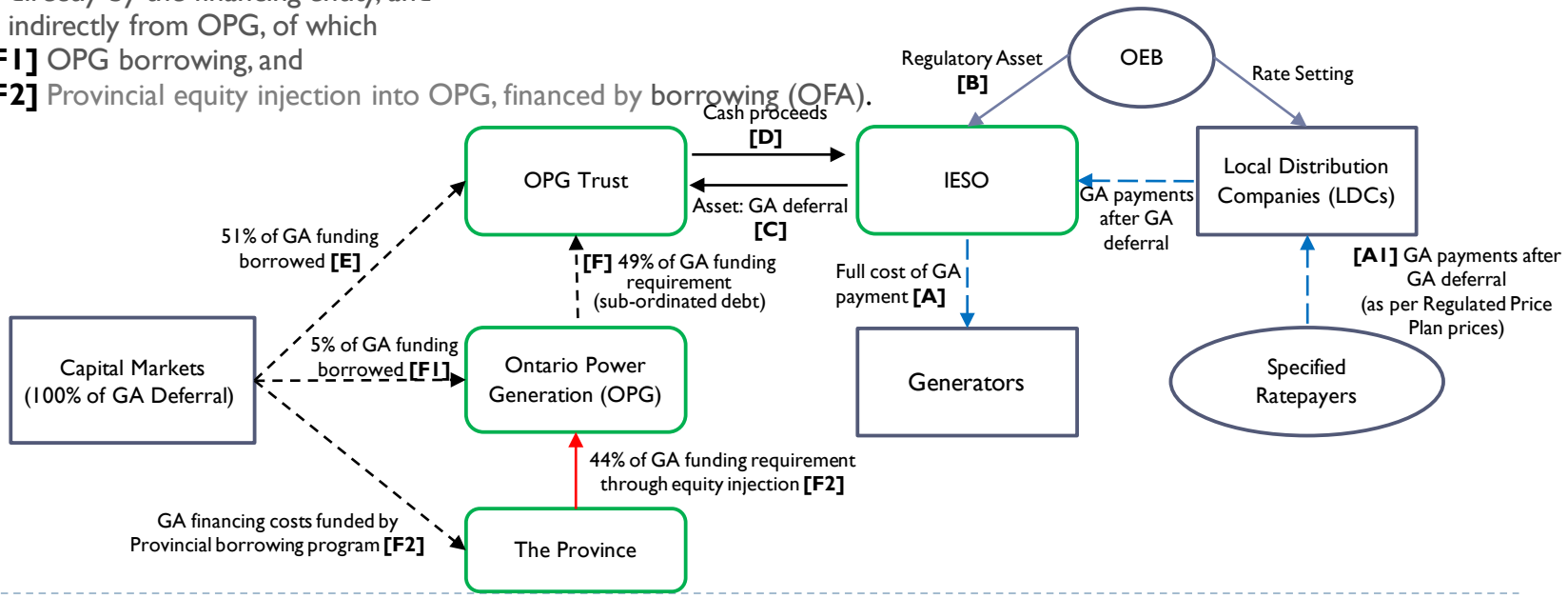
Overview:
The Ontario Fair Hydro Plan ("OFHP")

- The Ontario Fair Hydro Plan Act, 2017, enables the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits.
  - Implementation steps include regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

Refinancing the Global Adjustment

GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG establishes a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** IESO continues to pay generators their contracted and regulated prices.
- **[A1]** LDC payments lower, as Regulated Price Plan prices set with a portion of GA deferred to support initial 25% reduction.
- **[B]** IESO sets up a deferral account, a 'regulatory asset', based on a right to recover in the future deferred costs and financing costs.
- **[C]** Under the Act, the IESO would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Provincial equity injection into OPG, financed by borrowing (OFA).



Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

MOF-Related Outstanding Issues

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- The OFHP Act, s. 5, outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (with respect to debts, obligations, securities or undertakings associated with an investment interest), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
- A proposed Provincial Support Agreement is currently under discussion among Ministry of Energy, Ministry of Finance, OFA, external legal consultants and OPG.

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- The Province and OPG are working on a Provincial Support Agreement – a work-in-progress.
- There are three facets of a current draft proposed Provincial Support Agreement. Each of these would require Agreement/approval of Ministers of Energy and Finance:
  1. Service Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including billing, collection and remittance of clean energy adjustments.
  2. Indemnity: Provided by Province for Financing Entity against third party claims as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity. Indemnity applies only to direct government actions and would not cover, for instance, OPG activities
  3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and, if unable to do so, possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.
  - Under both the draft Service Guarantee and the Indemnity, the Service Guarantor (the Province) would have the option to satisfy obligations by "stepping in" and paying, when due, regularly scheduled amounts.
  - In both cases the Servicing Guarantor would not be obligated under any circumstances to pay consequential, special or punitive damages, or for economic loss or loss of profits.
- Note: Separation between the Province and OPG is necessary to maintain appropriate accounting treatment.

Indemnities Requested by OPG & IESO
(For Minister's s.28 Approval)

- The Ministry of Energy is proposing to provide, on behalf of the Province, certain indemnities as requested by OPG and IESO, and is asking, pursuant to Section 28 of the *Financial Administration Act* (FAA), that the Minister of Finance approve this request.
  - OPG and IESO are requesting that the Province indemnify the corporations (OPG and subsidiaries, not including a financing entity, and IESO), respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan (OHFP).
    - A protected person would not be entitled to be indemnified in respect of losses for which coverage is provided elsewhere, including through insurance policies or existing statutory indemnities.
    - Indemnity would not cover a protected person losses that are the result of such protected person's dishonesty, gross negligence or willful misconduct.

- In implementing the OFHP, OPG and the IESO expect to carry out activities that fall outside the scope of their pre-OFHP business activities and corporate mandate. They believe this could subject them to the risk of claims that they are not acting in the best interest of the corporation or in "good faith" with respect to their obligations to their respective corporations.

- OPG and IESO note that even for claims which may be limited by existing statutory protections, this does not preclude a party from bringing an action or other civil proceeding against the corporation's directors, officers or employees, causing them to incur costs in defending the claim.

- Ministry of Energy notes that in the event that an indemnity claim does arise and a payment is required, the Ministry would be unlikely to be able to support these payments from a current allocation and would need to return to TB/MBC for an adjustment to its allocations.

Indemnity (cont'd)
(For Minister's s.28 Approval)

- Ministry of Finance staff recommend approval of the s.28 request.
  - Ministry of Energy indicates that the Indemnities have been requested by the companies, supporting the implementation of the OFHP.
  - IESO and OPG have stated that without these indemnities and waivers they will not be able to participate in the implementation of the OFHP Act.
  - The Ministry of Energy states that the risk of the Province providing the Indemnities is undeterminable and unquantifiable at this time, due to uncertainty around possible claims under the Indemnities. Ministry of Energy notes, however, that the risk is mitigated by the existence of statutory immunities under the *Electricity Act, 1998,* for IESO, and under the *OFHP Act, for OPG,* pre-existing protection for director, officers and employees under insurance and, the limitation of indemnity to claims arising from IESO's and OPG's respective roles in implementing the OFHP.

IESO Treasury Policy
(For Minister's Approval)

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- OFA staff have reviewed and have no concerns with the requested changes.

Equity Injection – Key Proposed Terms

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The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

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Equity Injection: Subordinated Debt from OPG

- OPG will lend 49% of the GA asset to the Fair Hydro Trust as subordinated debt
  - OPG will use the Province's Equity injection of 44% of the GA asset
  - OPG will issue to investors an amount equal to 5% of the GA asset
- There will be one or more mezzanine levels of subordinated debt
  - Each mezzanine level of debt will have a different spread over Government of Canada bonds
- The Province's fiscal impact is expected to be minimized
  - Province will have an increase in interest expense arising from issuing long-term debt to finance the equity injection
  - OPG will have increased income from the subordinated debt interest
- The OFA is currently reviewing OPG's subordinated debt interest proposal and will provide comments to OPG once more discussions have taken place with Ministry of Energy staff

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
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  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at the benchmark weighted average rate +/-1%.
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(Minister's Approval Item: Minister's Reg.)

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Appendix: OFHP Additional Measures / GA Financial Flows & MOF / OFA Roles

The Ontario Fair Hydro Plan: Additional Measures

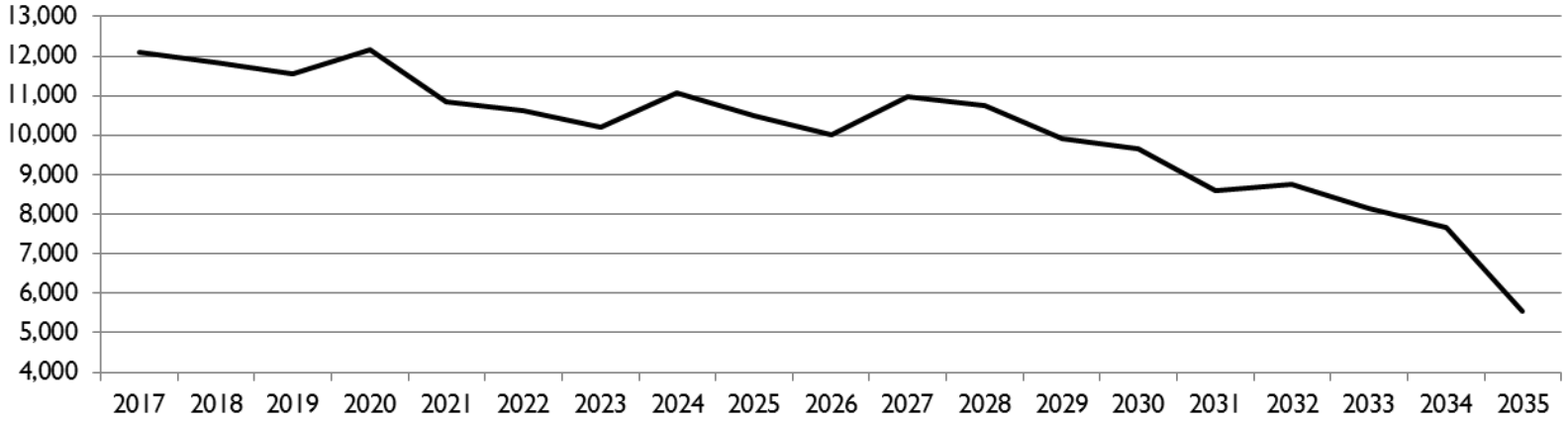
- In addition to the 25% bill reduction, on average, for residential customers, other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



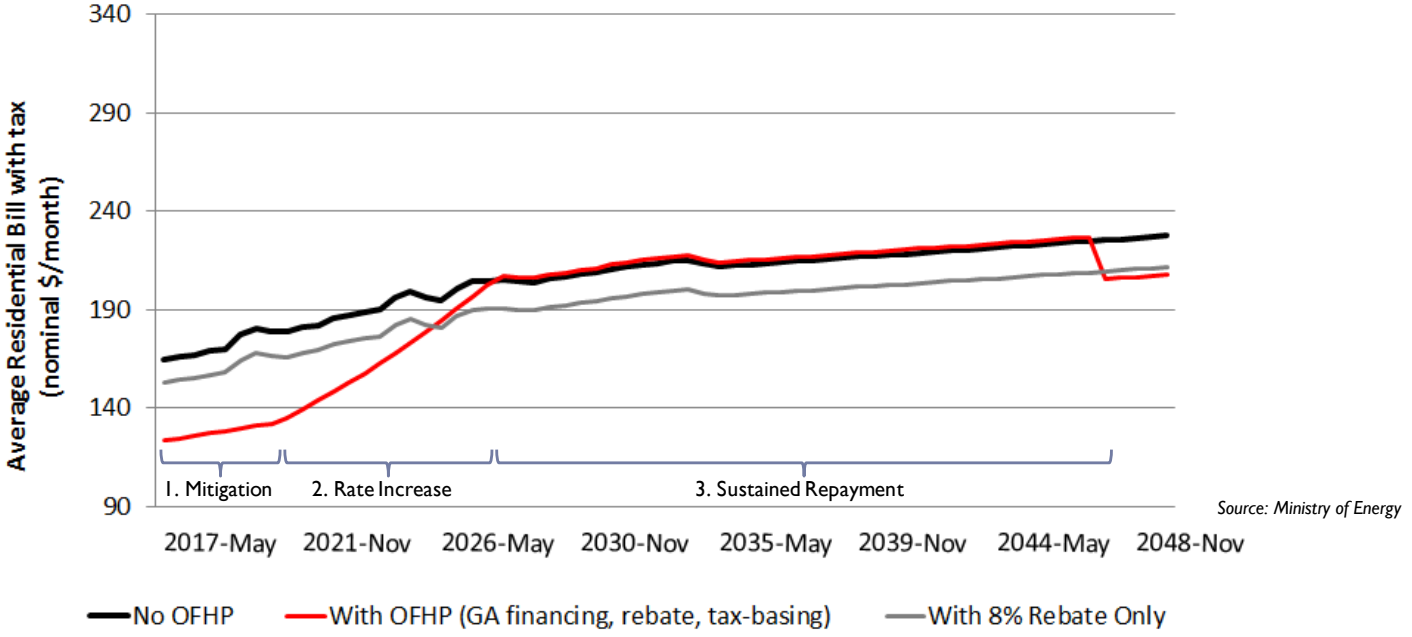
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the deferred amounts and cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Source: Ministry of Energy

Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

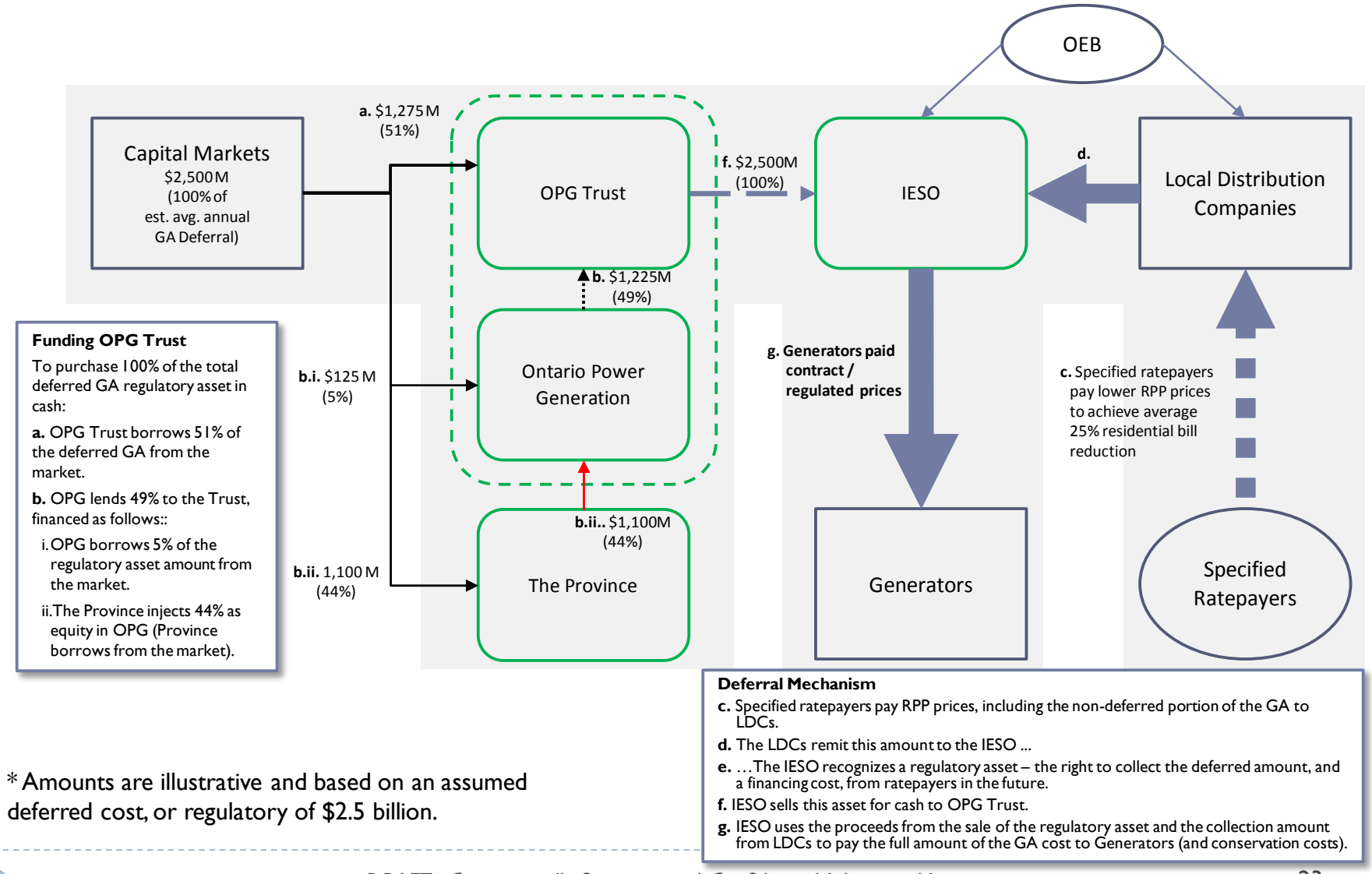
Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

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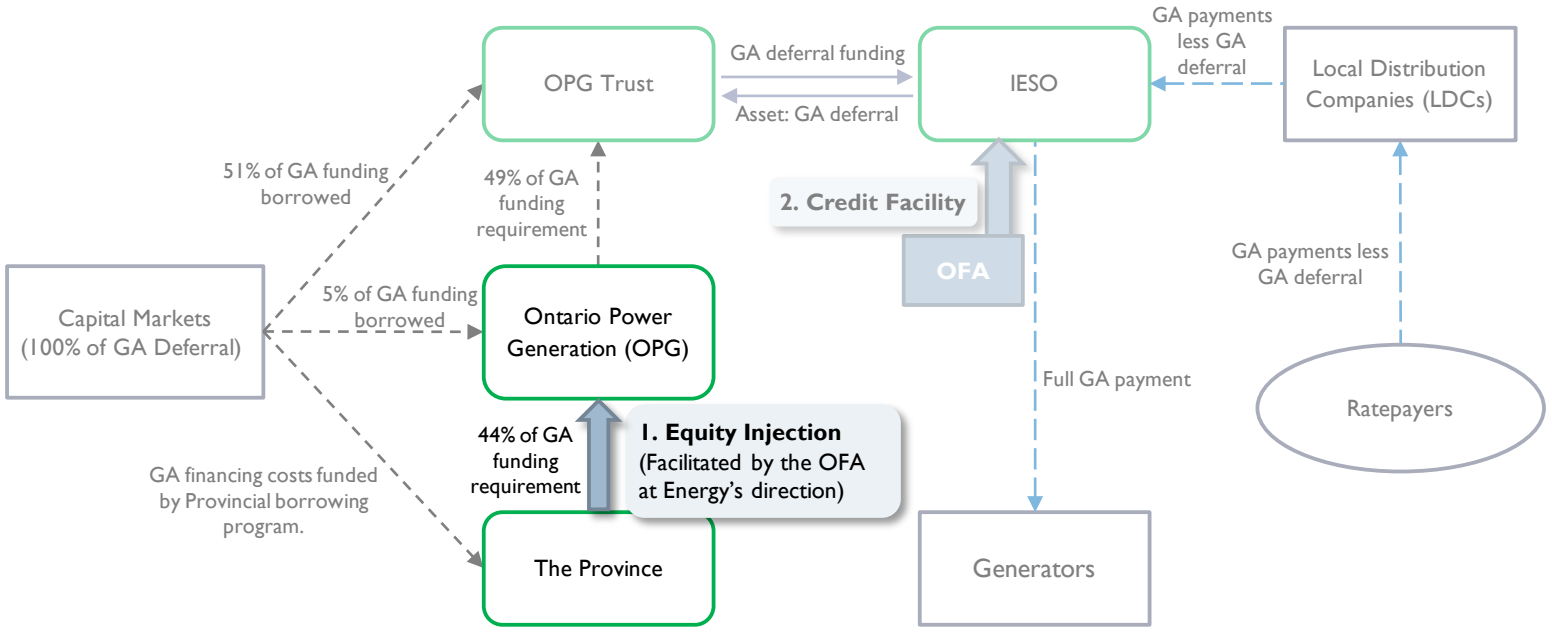

GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
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Accumulated Deficit	(202,697)	

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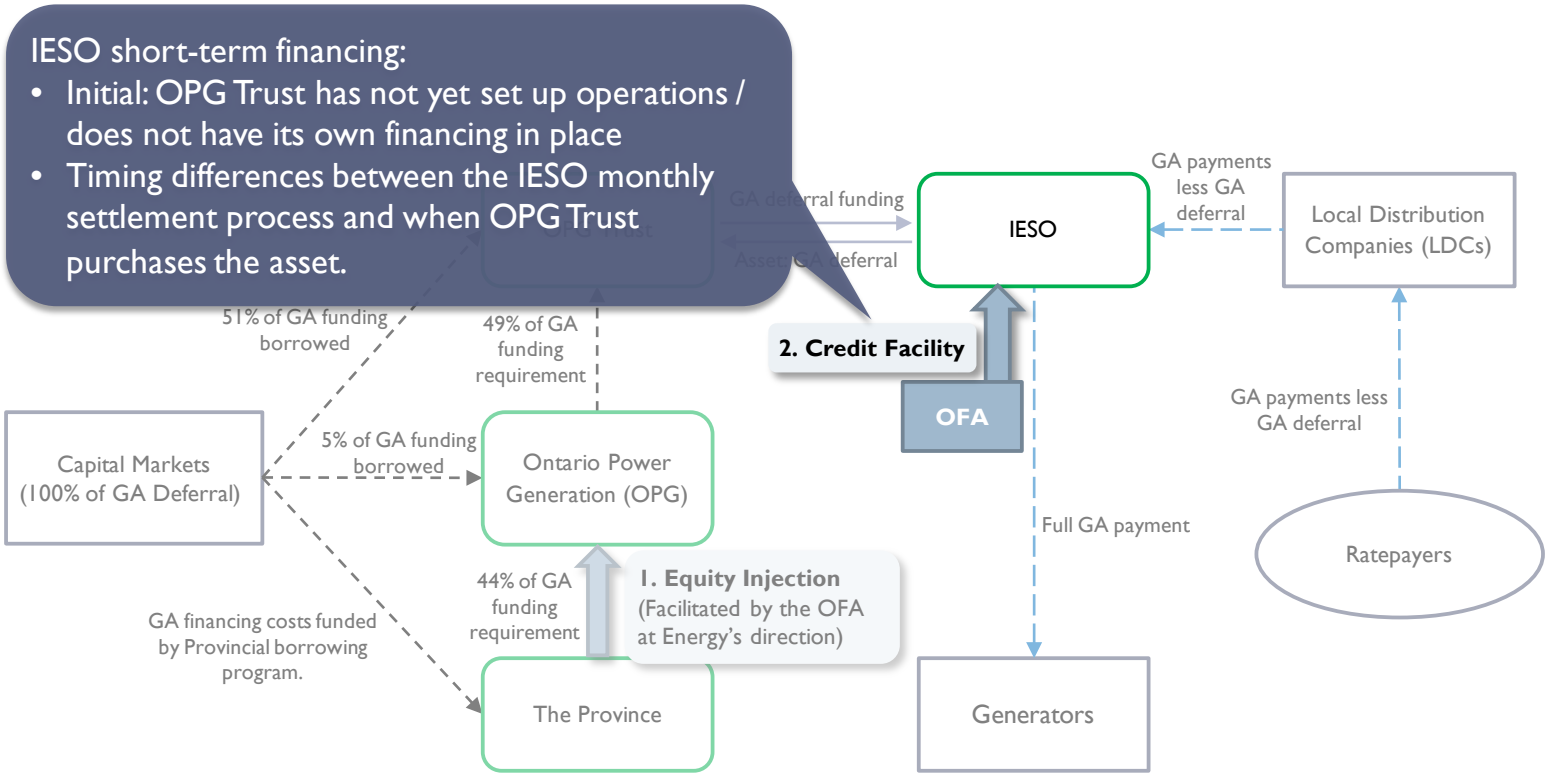
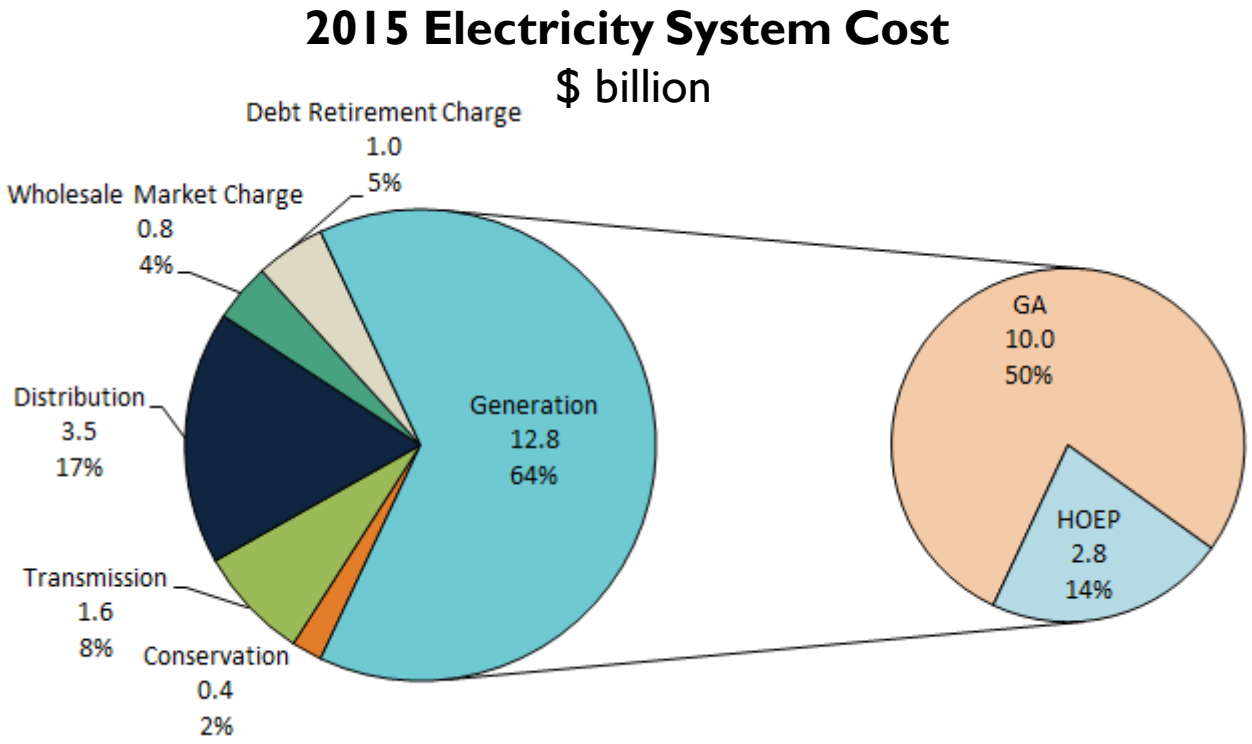


Appendix: Background

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

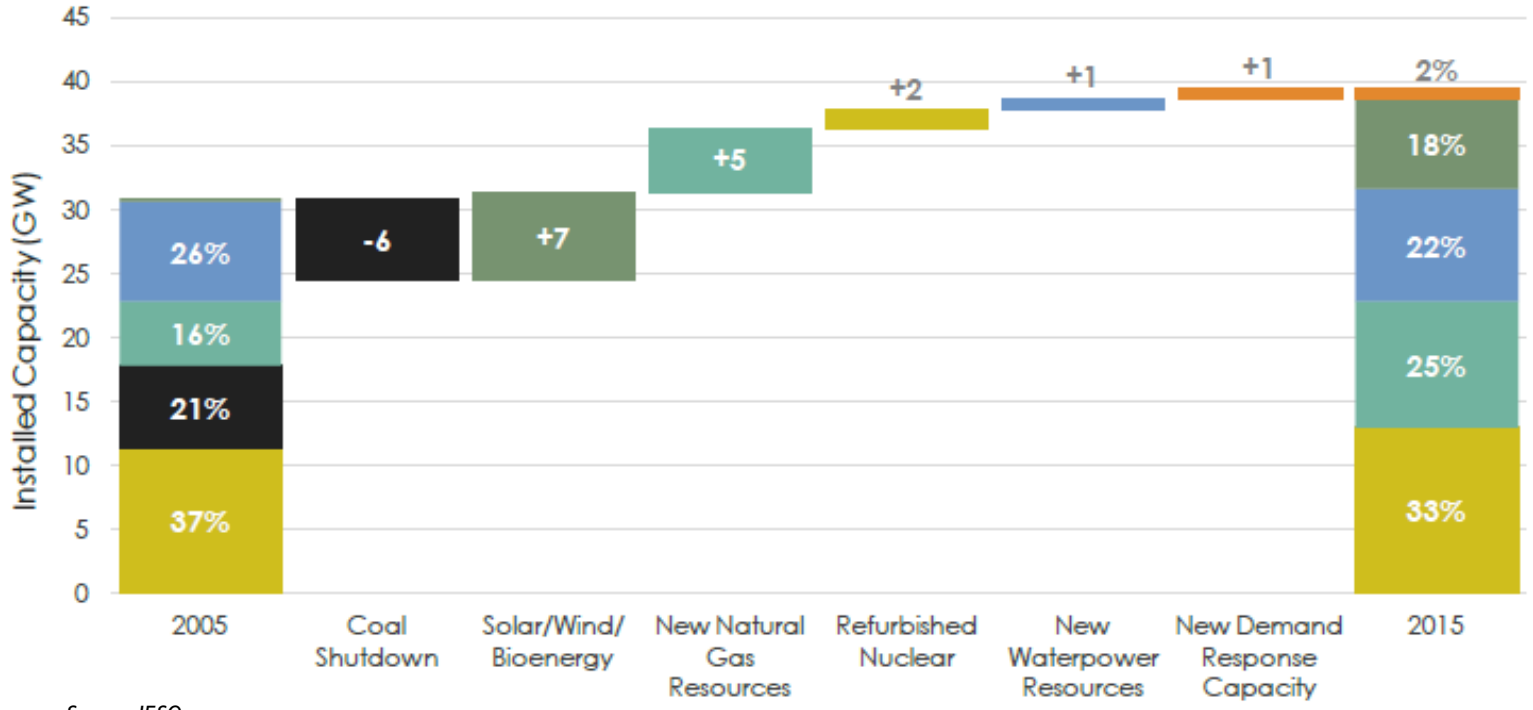
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

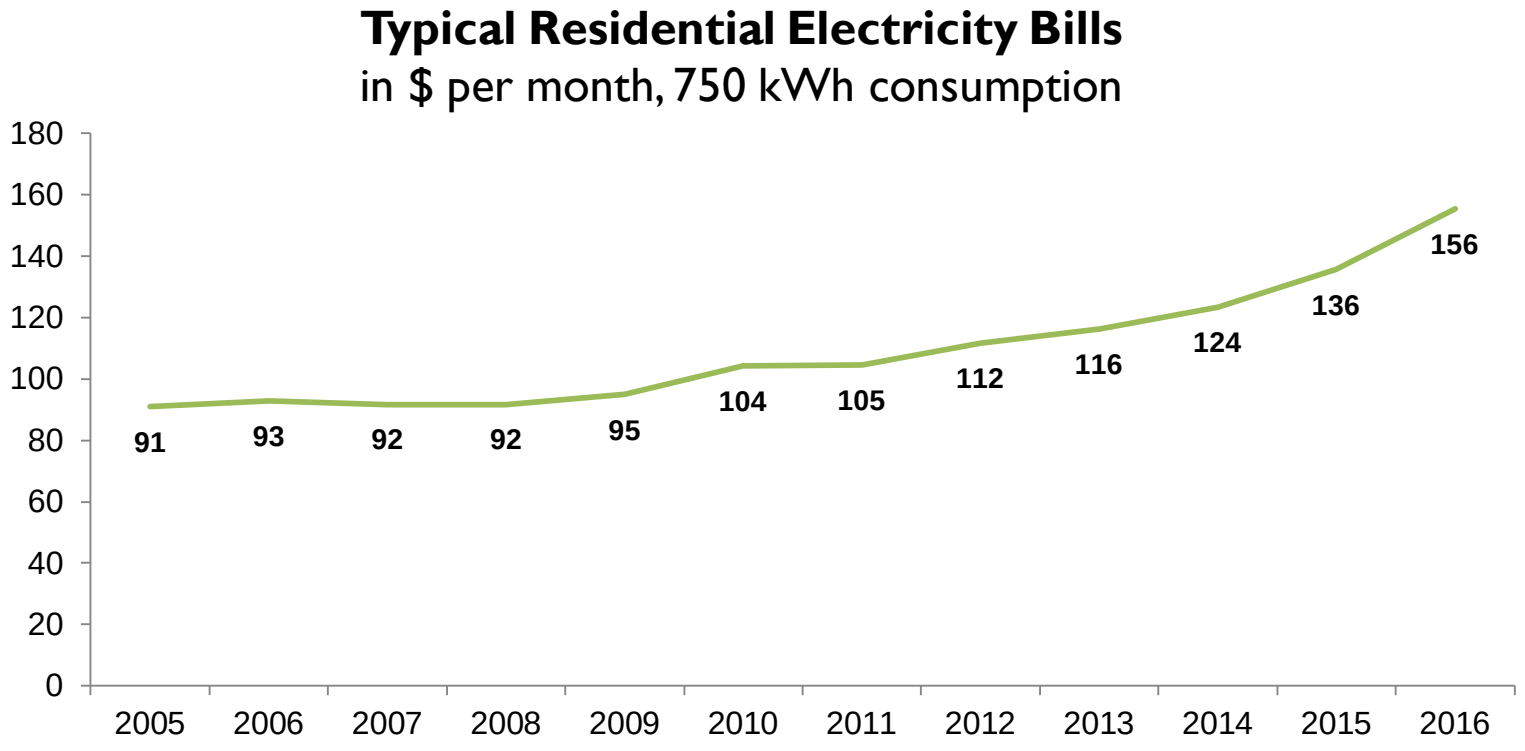
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From:	Bruno Amara
To:	Ronald Kwan
Cc:	Gavin He
Subject:	M - FHP Briefing (2017 06 27)_Markup_v02.pptx
Date:	Tuesday, June 27, 2017 1:24:07 PM
Attachments:	M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Ron

Slide 11 revised per comments from legal. They thought these two pts more relevant than previous about statutory protections

Slide 16: Carlos thought it was +/- $1M, rather than +/- 1%. I thought +/-$1M was an earlier draft, but I have not been close to those discussions so perhaps we TBD for now.

I haven't had success yet in getting expected timing for other decisions.

Bruno

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division

DRAFT: June 28, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- Refinancing the Global Adjustment
- MOF-Related Outstanding Business Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - Performance Management Fees
  - PILs Exemption
- Appendix: GA Financing
  - GA Refinancing
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

Overview:
Ontario's Fair Hydro Plan

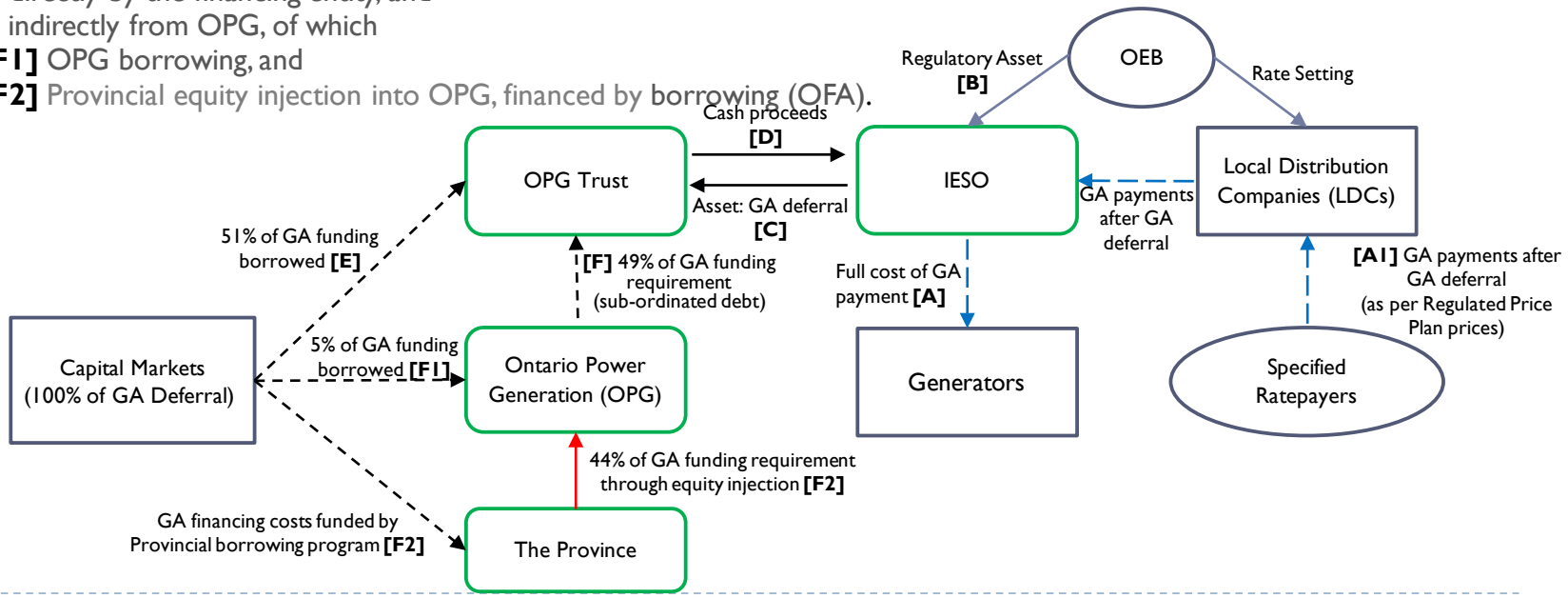
Overview:
The Ontario Fair Hydro Plan ("OFHP")

- The Ontario Fair Hydro Plan Act, 2017, enables the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits.
  - Implementation steps include regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

Refinancing the Global Adjustment

GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG establishes a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** IESO continues to pay generators their contracted and regulated prices.
- **[A1]** LDC payments lower, as Regulated Price Plan prices set with a portion of GA deferred to support initial 25% reduction.
- **[B]** IESO sets up a deferral account, a 'regulatory asset', based on a right to recover in the future deferred costs and financing costs.
- **[C]** Under the Act, the IESO would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Provincial equity injection into OPG, financed by borrowing (OFA).



Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

MOF-Related Outstanding Issues

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- The OFHP Act, s. 5, outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (with respect to debts, obligations, securities or undertakings associated with an investment interest), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
- A proposed Provincial Support Agreement is currently under discussion among Ministry of Energy, Ministry of Finance, OFA, external legal consultants and OPG.

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- The Province and OPG are working on a Provincial Support Agreement – a work-in-progress.
- There are three facets of a current draft proposed Provincial Support Agreement. Each of these would require Agreement/approval of Ministers of Energy and Finance:
  1. Service Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including billing, collection and remittance of clean energy adjustments.
  2. Indemnity: Provided by Province for Financing Entity against third party claims as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity. Indemnity applies only to direct government actions and would not cover, for instance, OPG activities
  3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and, if unable to do so, possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.
  - Under both the draft Service Guarantee and the Indemnity, the Service Guarantor (the Province) would have the option to satisfy obligations by "stepping in" and paying, when due, regularly scheduled amounts.
  - In both cases the Servicing Guarantor would not be obligated under any circumstances to pay consequential, special or punitive damages, or for economic loss or loss of profits.
- Note: Separation between the Province and OPG is necessary to maintain appropriate accounting treatment.

Indemnities Requested by OPG & IESO
(For Minister's s.28 Approval)

- The Ministry of Energy is proposing to provide, on behalf of the Province, certain indemnities as requested by OPG and IESO, and is asking, pursuant to Section 28 of the *Financial Administration Act* (FAA), that the Minister of Finance approve this request.
  - OPG and IESO are requesting that the Province indemnify the corporations (OPG and subsidiaries, not including a financing entity, and IESO), respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan (OHFP).
    - A protected person would not be entitled to be indemnified in respect of losses for which coverage is provided elsewhere, including through insurance policies or existing statutory indemnities.
    - Indemnity would not cover a protected person losses that are the result of such protected person's dishonesty, gross negligence or willful misconduct.
- In implementing the OFHP, OPG and the IESO expect to carry out activities that fall outside the scope of their pre-OFHP business activities and corporate mandate. They believe this could subject them to the risk of claims that they are not acting in the best interest of the corporation or in "good faith" with respect to their obligations to their respective corporations.
- The Indemnity Agreements extend to the OPG and the IESO as corporations, beyond the more normal practice of indemnifying directors, officers and employees; and also extends to subsidiaries of the OPG, excluding financing entities under the OFHP Act.
- The Indemnity Agreements include a waiver of claims with respect to indemnitees who are individuals by the Province as shareholder, meaning that except for gross negligence, dishonesty and wilful misconduct, the Province cannot bring an action against an indemnified individual.
- Ministry of Energy notes that in the event that an indemnity claim does arise and a payment is required, the Ministry would be unlikely to be able to support these payments from a current allocation and would need to return to TB/MBC for an adjustment to its allocations.

Indemnity (cont'd)
(For Minister's s.28 Approval)

- Ministry of Finance staff recommend approval of the s.28 request.
  - Ministry of Energy indicates that the Indemnities have been requested by the companies, supporting the implementation of the OFHP.
  - IESO and OPG have stated that without these indemnities and waivers they will not be able to participate in the implementation of the OFHP Act.
  - The Ministry of Energy states that the risk of the Province providing the Indemnities is undeterminable and unquantifiable at this time, due to uncertainty around possible claims under the Indemnities. Ministry of Energy notes, however, that the risk is mitigated by the existence of statutory immunities under the *Electricity Act, 1998,* for IESO, and under the *OFHP Act, for OPG,* pre-existing protection for director, officers and employees under insurance and, the limitation of indemnity to claims arising from IESO's and OPG's respective roles in implementing the OFHP.

IESO Treasury Policy
(For Minister's Approval)

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998,* the IESO is required to maintain investment, borrowing and financial management policies and procedures.

- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.

- The revised IESO Treasury Policy incorporates the following two changes:
  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017.*
  2. Increase counterparty exposure to Schedule A Canadian Banks from the current $420million to $500 million, an increase of $80 million exposure per counterparty.
     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.

- OFA staff have reviewed and have no concerns with the requested changes.

Equity Injection – Key Proposed Terms

OFA to Support under a Service Level Agreement

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject (monthly, as required) 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Ministry of Energy (as Shareholder) will seek appropriation on an annual basis through PRRT.
- OPG agrees to use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
- Ministry of Energy and OFA would, as proposed, have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy, subject to the approved PRRT amount and 44% share.

Equity Injection: Subordinated Debt from OPG

- OPG will lend 49% of the GA asset to the Fair Hydro Trust as subordinated debt
  - OPG will use the Province's Equity injection of 44% of the GA asset
  - OPG will issue to investors an amount equal to 5% of the GA asset
- There will be one or more mezzanine levels of subordinated debt
  - Each mezzanine level of debt will have a different spread over Government of Canada bonds
- The Province's fiscal impact is expected to be minimized
  - Province will have an increase in interest expense arising from issuing long-term debt to finance the equity injection
  - OPG will have increased income from the subordinated debt interest
- The OFA is currently reviewing OPG's subordinated debt interest proposal and will provide comments to OPG once more discussions have taken place with Ministry of Energy staff

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped (TBD) ~~at the benchmark weighted average rate +/- 1%.~~
- MOF (OFA) and Ministry of Energy are currently reviewing OPG's performance management fee proposal. [who approves?]

Payment in Lieu of Taxes Exemption
(Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is a PILs exemption for the income arising from the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - With no PILs exemption, ratepayers will bear the cost of PILs through the rate base.
  - OPG has sought a broad comprehensive PILs exemption for a variety of potential financing structures including corporations, trusts or partnerships.

- The PILs regulations under the Electricity Act are under the purview of the Minister of Finance.

- TPD recommends [TBC] a regulatory exemption for each specific financing entity structure, once the structure is determined. A blanket exemption would create significant risks to provincial revenue and require a number of complex conditions to minimize the potential for precedents and tax avoidance.

- TPD proposes bringing forward for approval the required regulation(s) once OPG advises on each specific financing entity structure and any anticipated future structures or changes to the structure.
  - OPG has raised questions on the timeliness of response for a new regulation, as OPG special purpose vehicles for financing may be put together quickly to respond to different markets and market conditions

Appendix: OFHP Additional Measures / GA Financial Flows & MOF / OFA Roles

The Ontario Fair Hydro Plan: Additional Measures

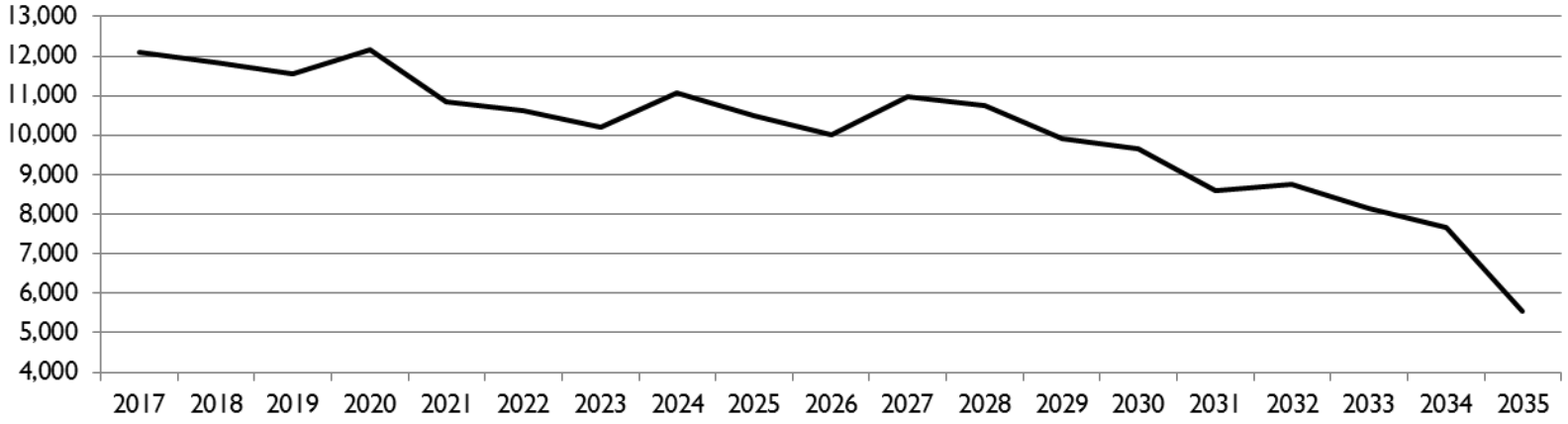
- In addition to the 25% bill reduction, on average, for residential customers, other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



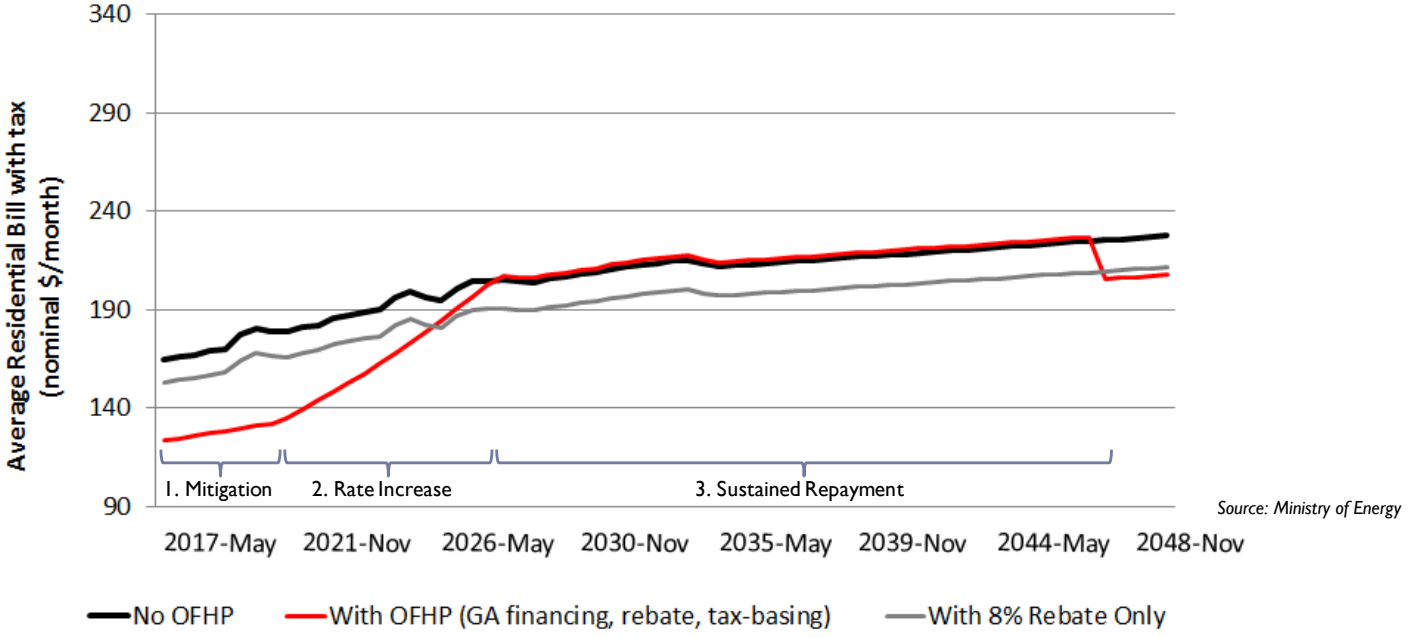
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the deferred amounts and cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Source: Ministry of Energy

Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
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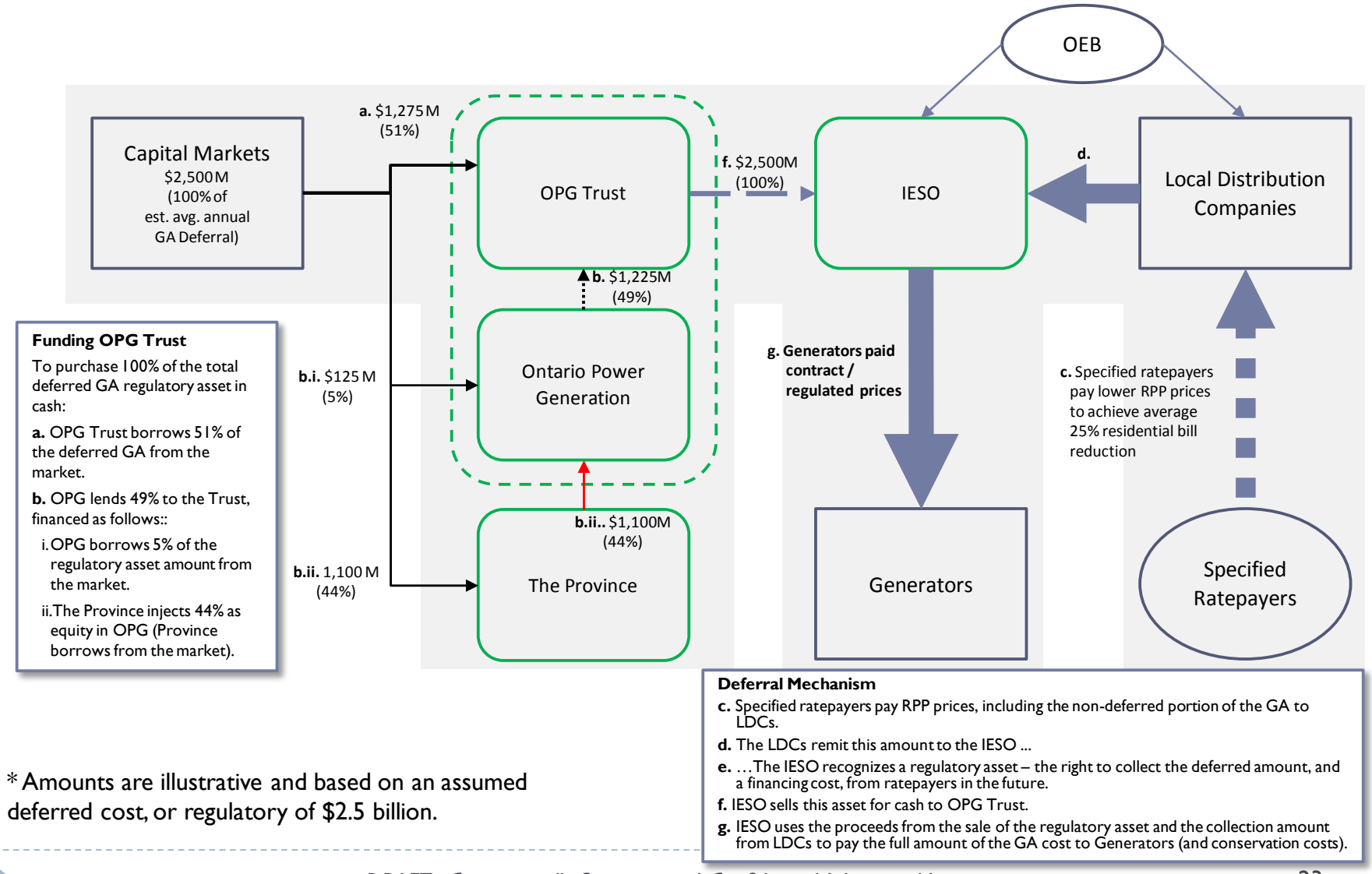

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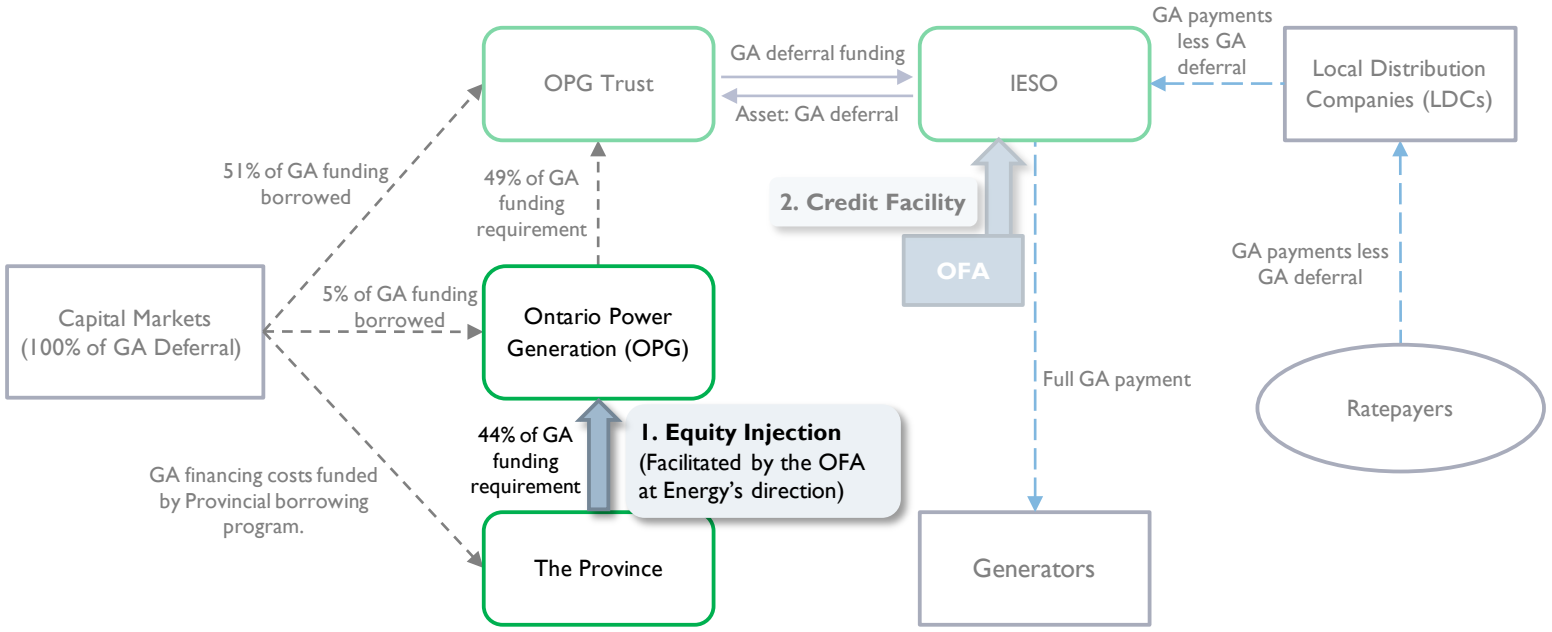

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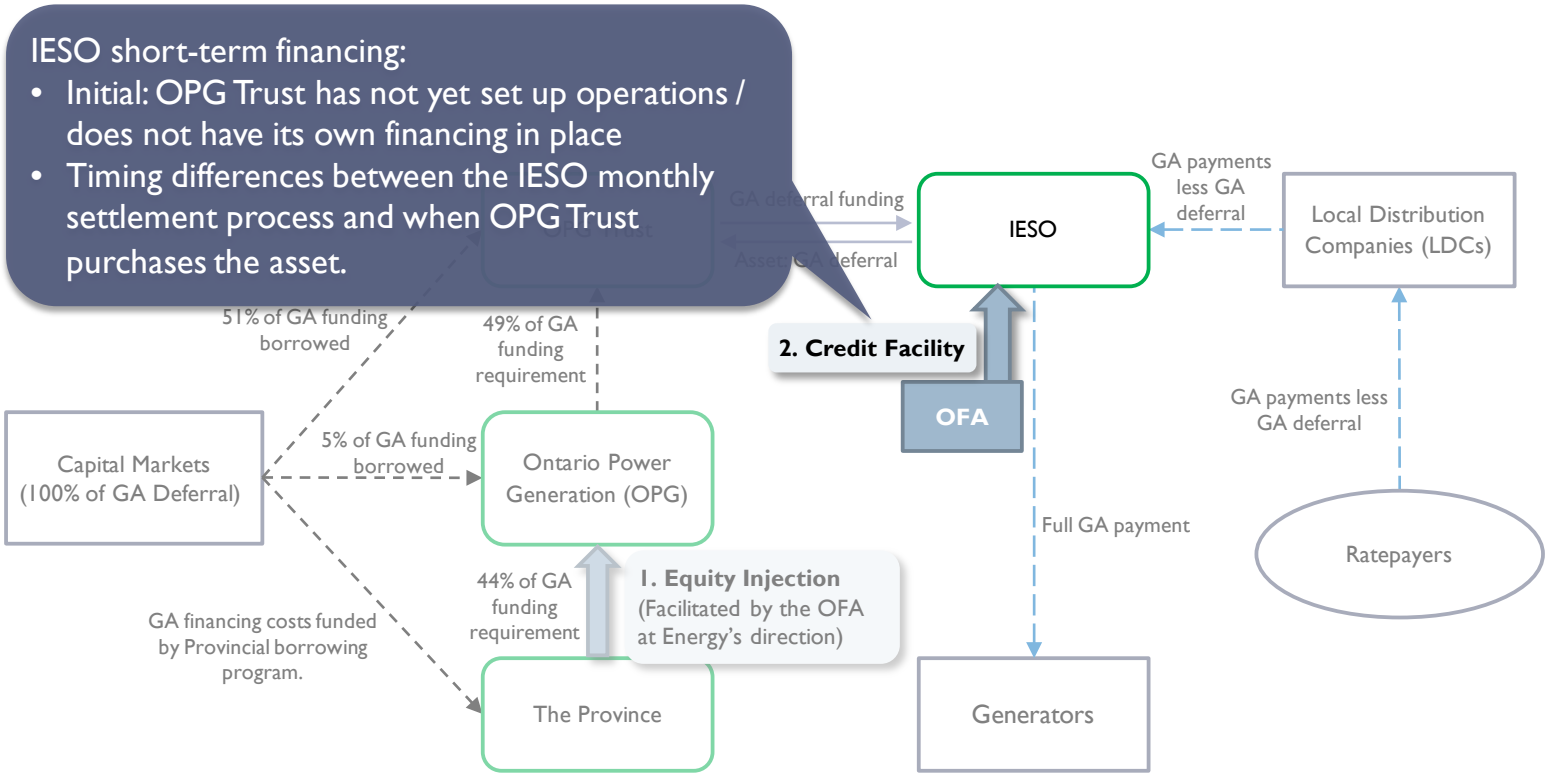

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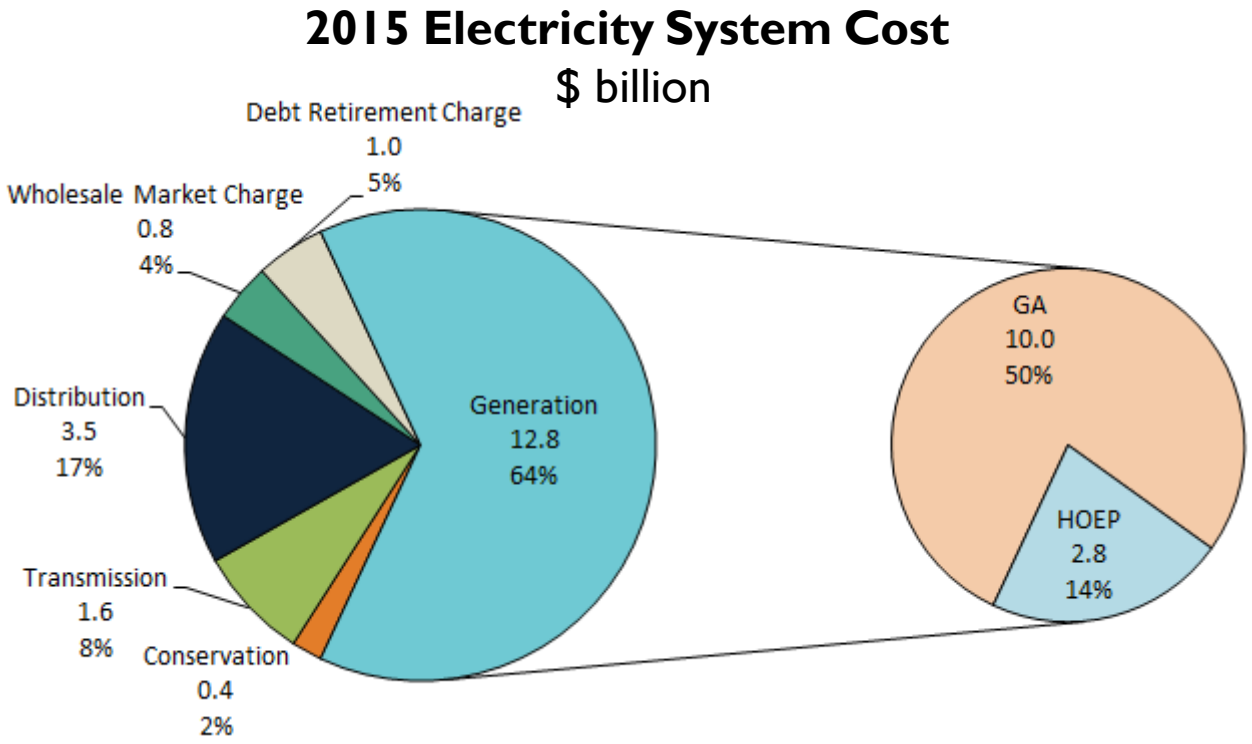
Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

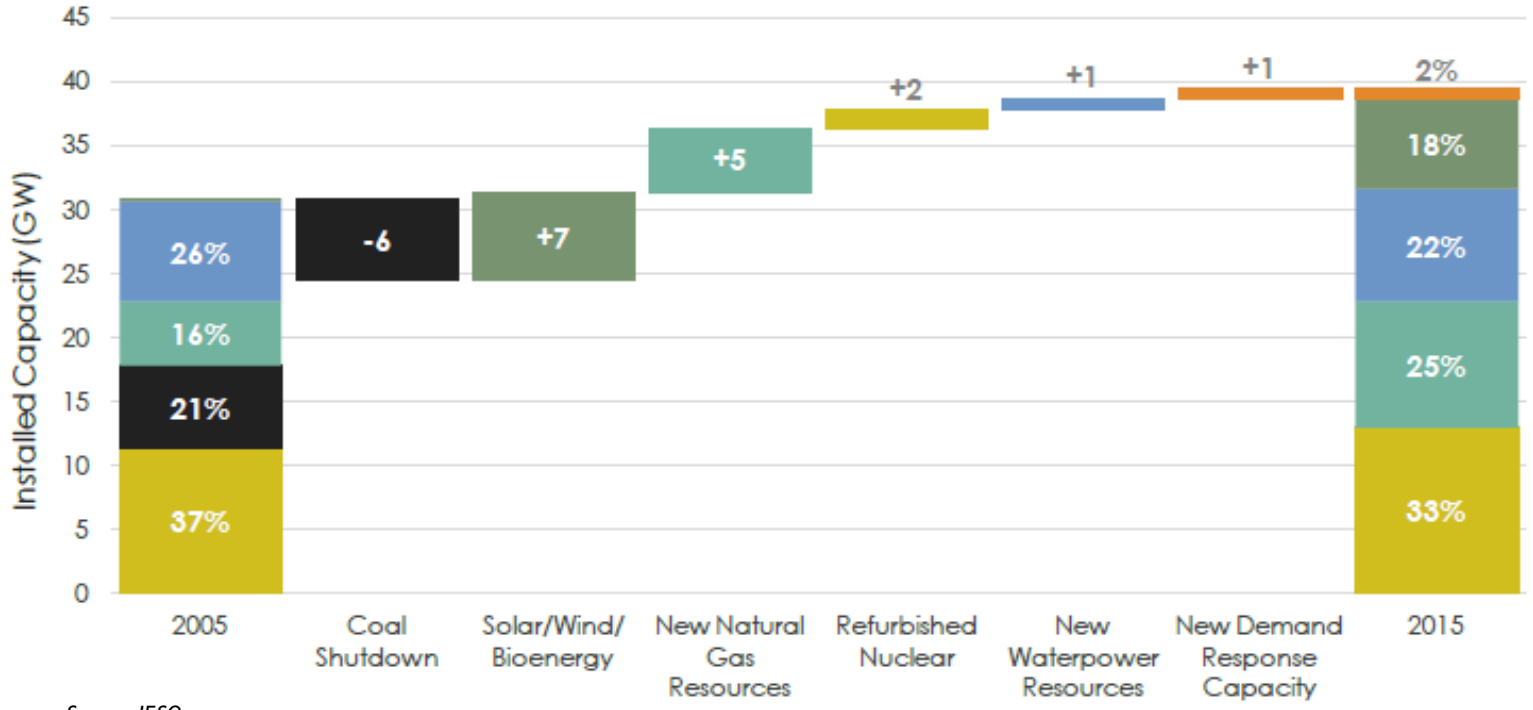
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

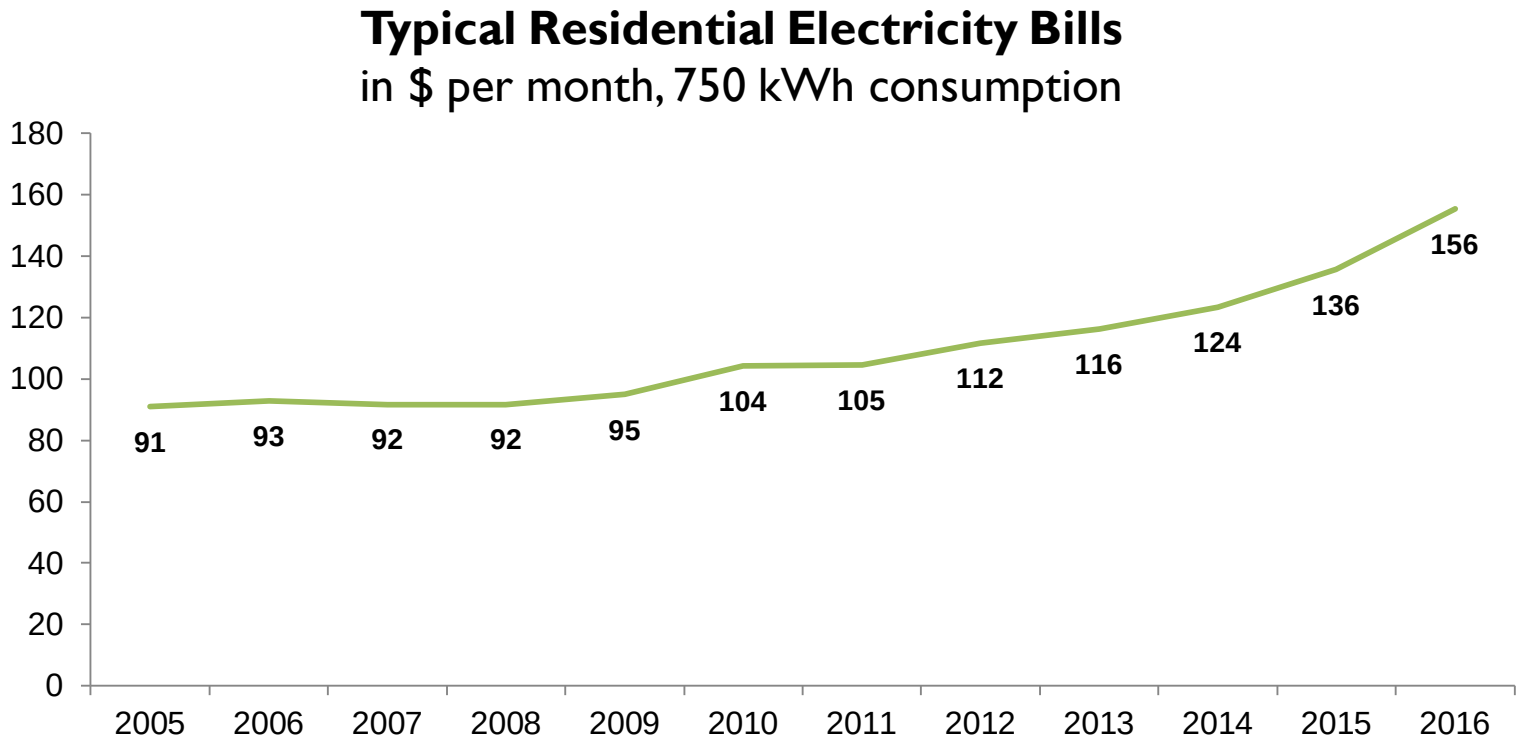
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From: Ken Kandeepan
To: Ronald Kwan; John Kim
Cc: John Psinas
Subject: M - FHP Briefing (2017 06 27)_v04.pptx
Date: Monday, July 03, 2017 11:35:50 AM
Attachments: M - FHP Briefing (2017 06 27)_v04.pptx

Hi Ron/John

Pls see me comments in the attached, sorry for the delay.

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division

DRAFT: June 29, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- MOF-Related Outstanding Business Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - Performance Management Fees
  - PILs Exemption
- Appendix: GA Financing
  - GA Refinancing
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

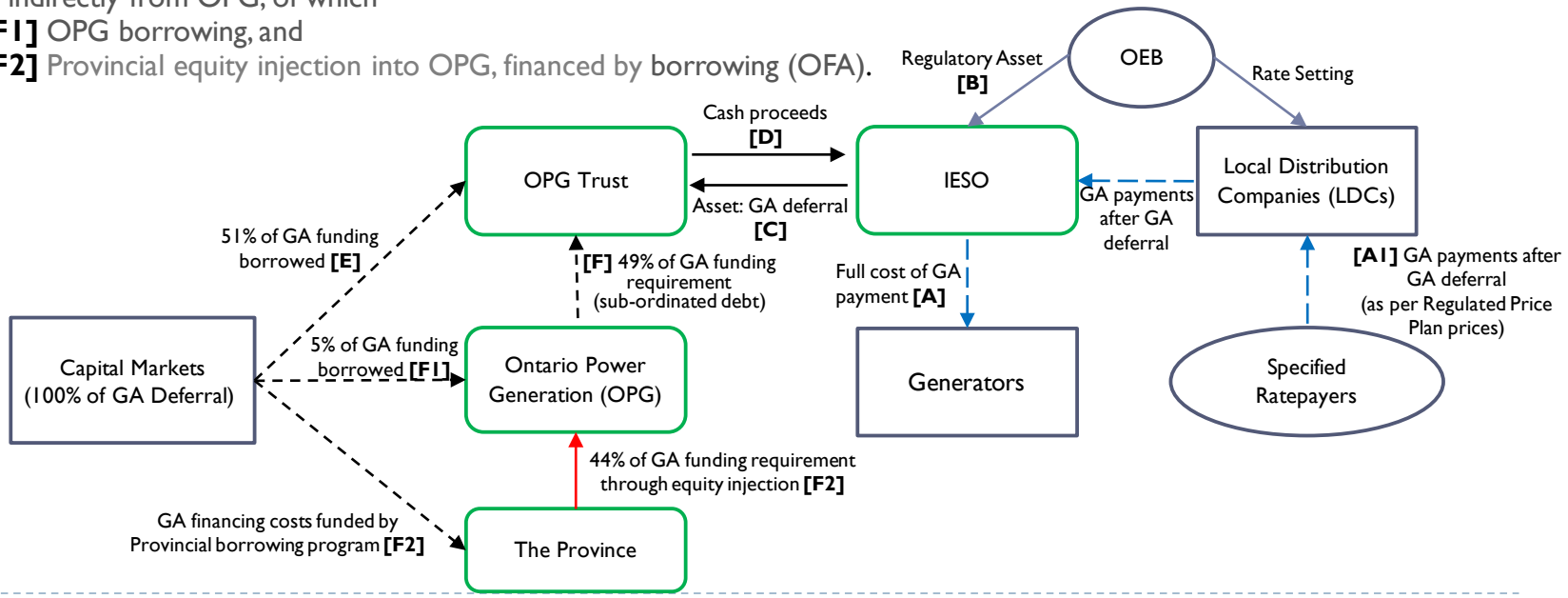
Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- The Ontario Fair Hydro Plan Act, 2017, enables the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits.
  - Implementation steps include regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG establishes a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** IESO continues to pay generators their contracted and regulated prices.
- **[A1]** LDC payments lower, as Regulated Price Plan prices set with a portion of GA deferred to support initial 25% reduction.
- **[B]** IESO sets up a deferral account, a 'regulatory asset', based on a right to recover in the future deferred costs and financing costs.
- **[C]** Under the Act, the IESO would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Provincial equity injection into OPG, financed by borrowing (OFA).



Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

MOF-Related Outstanding Issues

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- The OFHP Act, s. 5, outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (with respect to debts, obligations, securities or undertakings associated with an investment interest), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
- A proposed Provincial Support Agreement is currently under discussion among Ministry of Energy, Ministry of Finance, OFA, external legal consultants and OPG.

Target Timing: End of July

Provincial Support Agreement (cont.)
[Ministers' Approval Item: Pending]

- The Province and OPG are working on a Provincial Support Agreement – a work-in-progress.
- There are three facets of a current draft proposed Provincial Support Agreement. Each of these would require Agreement/approval of Ministers of Energy and Finance:
  1. Service Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including billing, collection and remittance of clean energy adjustments.
  2. Indemnity: Provided by Province for Financing Entity against third party claims as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity. Indemnity applies only to direct government actions and would not cover, for instance, OPG activities
  3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and, if unable to do so, possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.
  - Under both the draft Service Guarantee and the Indemnity, the Service Guarantor (the Province) would have the option to satisfy obligations by "stepping in" and paying, when due, regularly scheduled amounts.
  - In both cases the Servicing Guarantor would not be obligated under any circumstances to pay consequential, special or punitive damages, or for economic loss or loss of profits.
- Note: Separation between the Province and OPG is necessary to maintain appropriate accounting treatment.

Indemnities Requested by OPG & IESO
(For Minister's s.28 Approval)

- The Ministry of Energy is proposing to provide, on behalf of the Province, certain indemnities as requested by OPG and IESO, and is asking, pursuant to Section 28 of the *Financial Administration Act* (FAA), that the Minister of Finance approve this request.
  - OPG and IESO are requesting that the Province indemnify the corporations (OPG and subsidiaries, not including a financing entity, and IESO), respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan (OHFP).
    - A protected person would not be entitled to be indemnified in respect of losses for which coverage is provided elsewhere, including through insurance policies or existing statutory indemnities.
    - Indemnity would not cover a protected person losses that are the result of such protected person's dishonesty, gross negligence or willful misconduct.
- In implementing the OFHP, OPG and the IESO expect to carry out activities that fall outside the scope of their pre-OFHP business activities and corporate mandate. They believe this could subject them to the risk of claims that they are not acting in the best interest of the corporation or in "good faith" with respect to their obligations to their respective corporations.
- The Indemnity Agreements extend to the OPG and the IESO as corporations, beyond the more normal practice of indemnifying directors, officers and employees; and also extends to subsidiaries of the OPG, excluding financing entities under the OFHP Act.
- The Indemnity Agreements include a waiver of claims with respect to indemnitees who are individuals by the Province as shareholder, meaning that except for gross negligence, dishonesty and wilful misconduct, the Province cannot bring an action against an indemnified individual.
- Ministry of Energy notes that in the event that an indemnity claim does arise and a payment is required, the Ministry would be unlikely to be able to support these payments from a current allocation and would need to return to TB/MBC for an adjustment to its allocations.

Indemnity (cont'd)
(For Minister's s.28 Approval)

- Ministry of Finance staff recommend approval of the s.28 request.
  - Ministry of Energy indicates that the Indemnities have been requested by the companies, supporting the implementation of the OFHP.
  - Both the IESO and OPG have specifically asked for these Indemnities in order to allow them to carry out their roles in implementing the ONFHP
  - The Ministry of Energy states that the risk of the Province providing the Indemnities is undeterminable at this time, due to uncertainty around possible claims under the Indemnities. Ministry of Energy notes, however, that the risk is mitigated by the existence of statutory immunities under the *Electricity Act, 1998,* for IESO, and under the *OFHP Act, for OPG,* pre-existing protection for director, officers and employees under insurance and, the limitation of indemnity to claims arising from IESO's and OPG's respective roles in implementing the OFHP.

Target Timing: End of June

IESO Treasury Policy
(For Minister's Approval)

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998,* the IESO is required to maintain investment, borrowing and financial management policies and procedures.

- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.

- The revised IESO Treasury Policy incorporates the following two changes:
  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017.*
  2. Increase counterparty exposure to Schedule A Canadian Banks from the current $420million to $500 million, an increase of $80 million exposure per counterparty.
     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.

- OFA staff have reviewed and have no concerns with the requested changes.

Target Timing: End of June

Equity Injection – Key Proposed Terms

OFA to Support under a Service Level Agreement

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject (monthly, as required) 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Ministry of Energy (as Shareholder) will seek appropriation on an annual basis through PRRT.
- OPG agrees to use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
- Ministry of Energy and OFA would, as proposed, have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy, subject to the approved PRRT amount and 44% share.

Target Timing: End of July

Equity Injection:
Subordinated Debt from OPG

- OPG will lend 49% of the GA asset to the Fair Hydro Trust as subordinated debt
  - OPG will use the Province's Equity injection of 44% of the GA asset
  - OPG will issue to investors an amount equal to 5% of the GA asset
- There will be one or more mezzanine levels of subordinated debt
  - Each mezzanine level of debt will have a different spread over Government of Canada bonds
- The Province's fiscal impact is expected to be minimized
  - Province will have an increase in interest expense arising from issuing long-term debt to finance the equity injection
  - OPG will have increased income from the subordinated debt interest
- The OFA is currently reviewing OPG's subordinated debt interest proposal and will provide comments to OPG once more discussions have taken place with Ministry of Energy staff

Target Timing: End of July (TBC)

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped (TBD).

Payment in Lieu of Taxes Exemption
(Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is a PILs exemption for the income arising from the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - With no PILs exemption, ratepayers will bear the cost of PILs through the rate base.
  - OPG has sought a broad comprehensive PILs exemption for a variety of potential financing structures including corporations, trusts or partnerships.

- The PILs regulations under the Electricity Act are under the purview of the Minister of Finance.

- TPD recommends [TBC] a regulatory exemption for each specific financing entity structure, once the structure is determined. A blanket exemption would create significant risks to provincial revenue and require a number of complex conditions to minimize the potential for precedents and tax avoidance.

- TPD proposes bringing forward for approval the required regulation(s) once OPG advises on each specific financing entity structure and any anticipated future structures or changes to the structure.
  - OPG has raised questions on the timeliness of response for a new regulation, as OPG special purpose vehicles for financing may be put together quickly to respond to different markets and market conditions

Target Timing: By August/September

Appendix: OFHP Additional Measures / GA Financial Flows & MOF / OFA Roles

The Ontario Fair Hydro Plan: Additional Measures

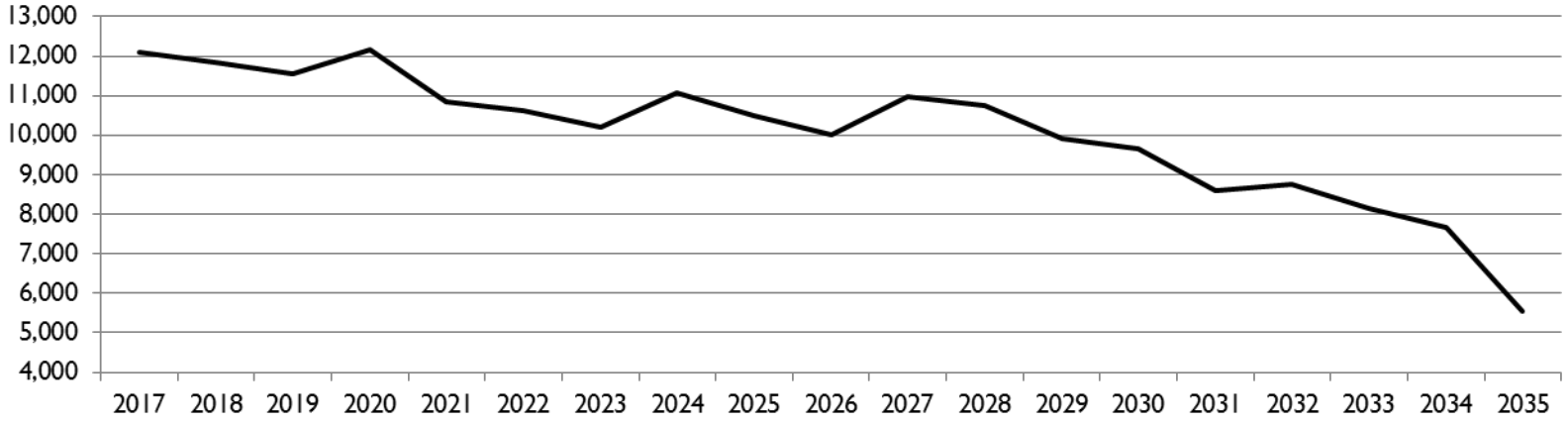
- In addition to the 25% bill reduction, on average, for residential customers, other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



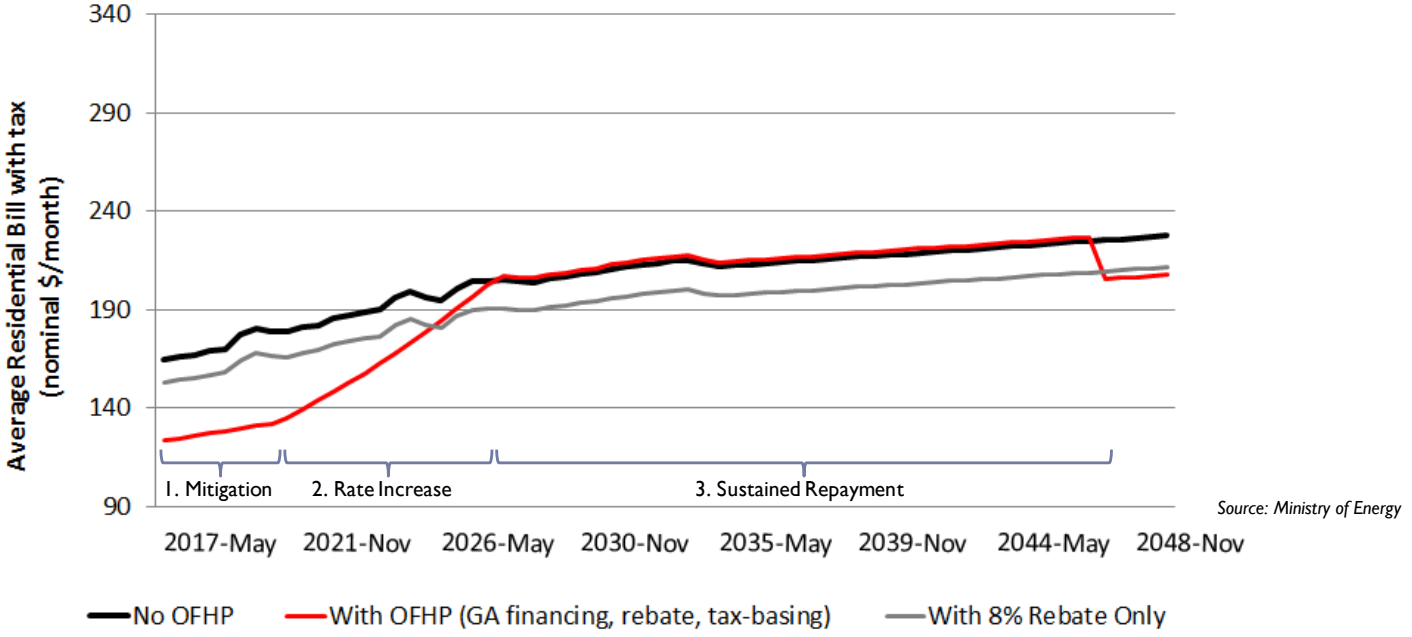
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the deferred amounts and cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Source: Ministry of Energy

Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

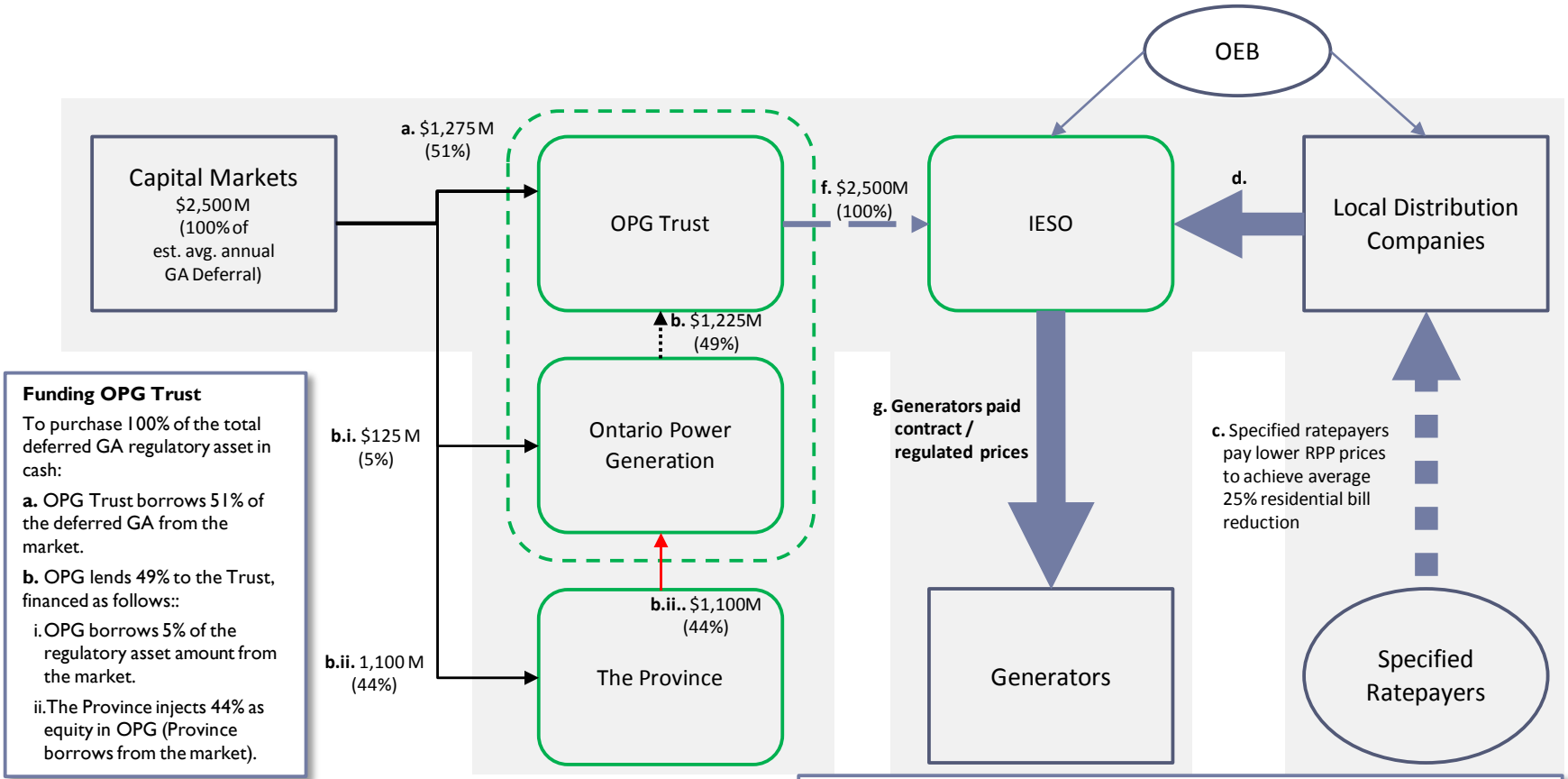
Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

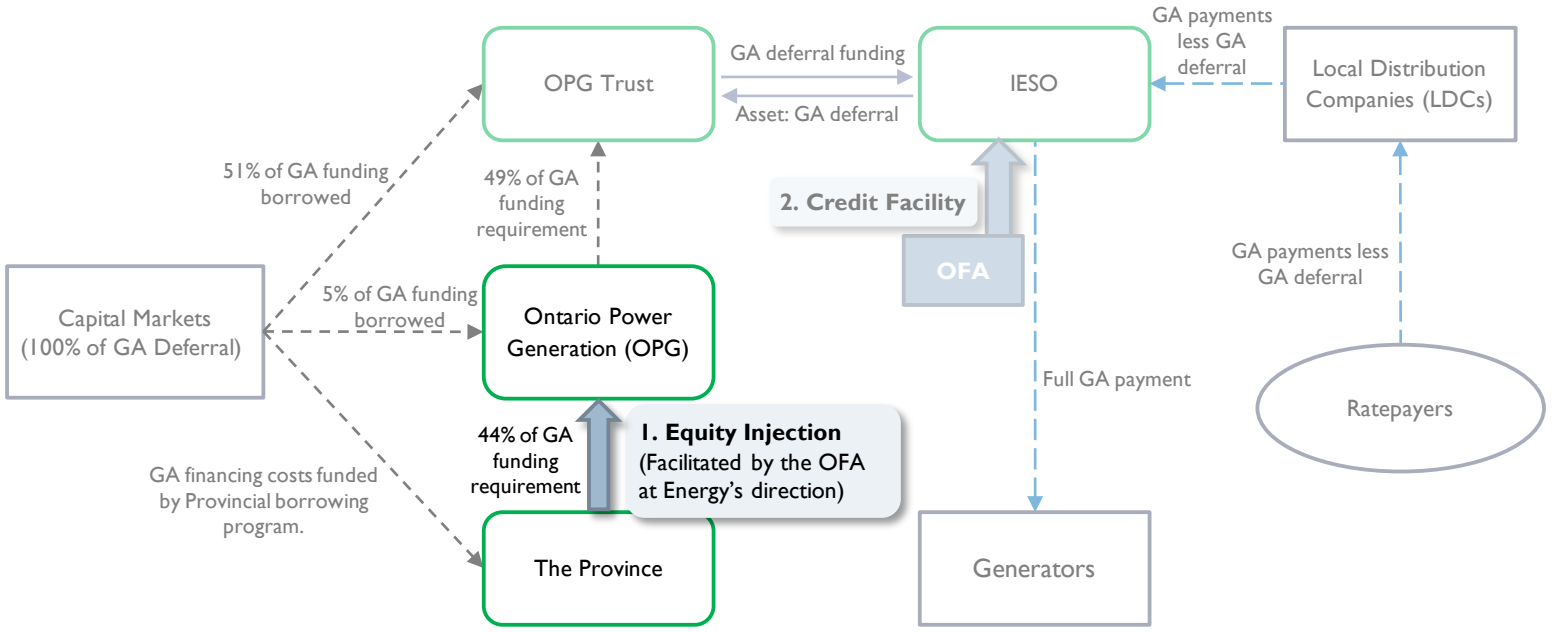
f. IESO sells this asset for cash to OPG Trust.

g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

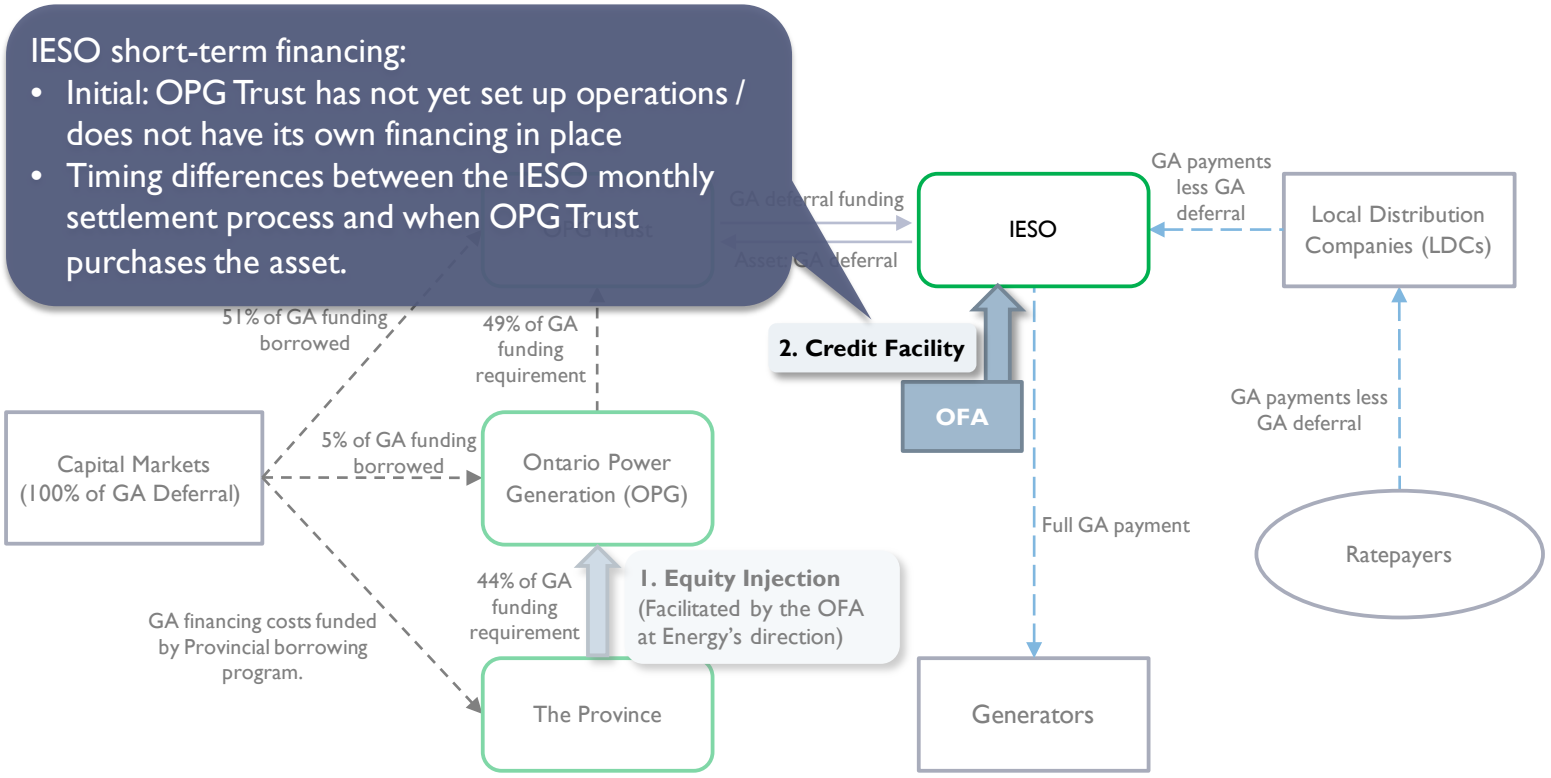
- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

OFA/IESO Credit Facility

- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Appendix: Background

Context: Ontario's Electricity Market

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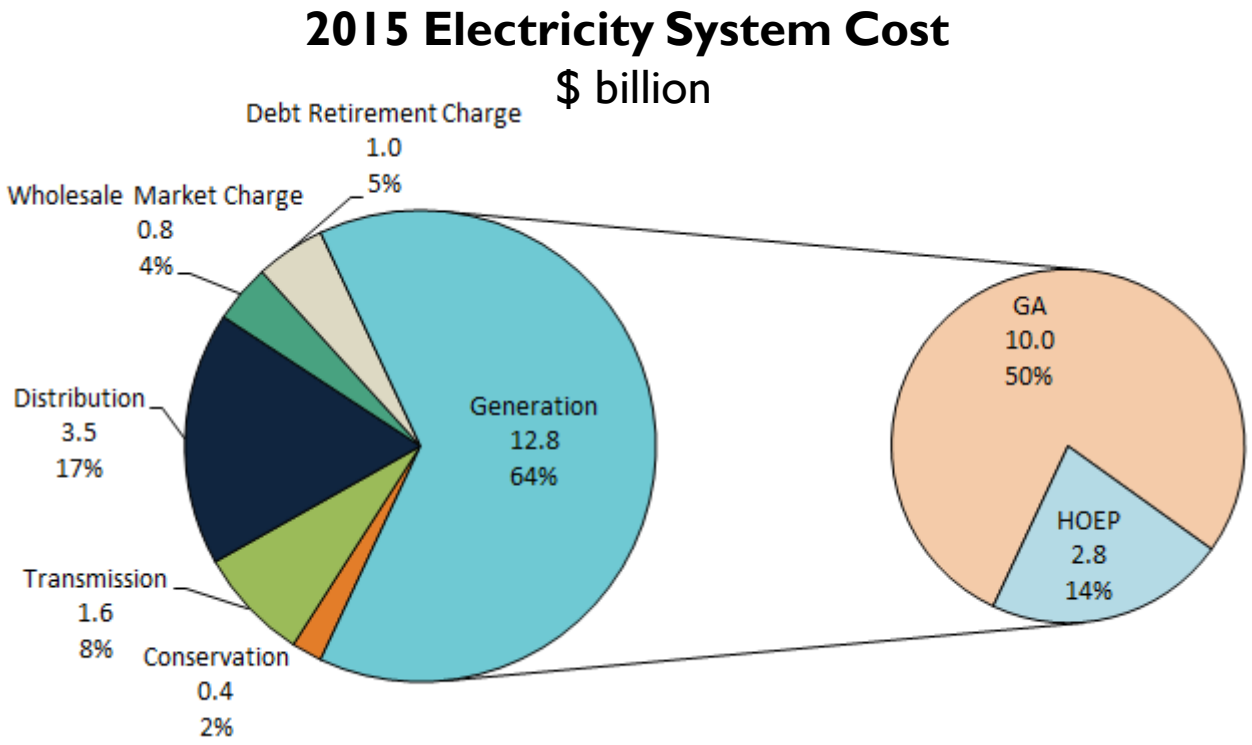

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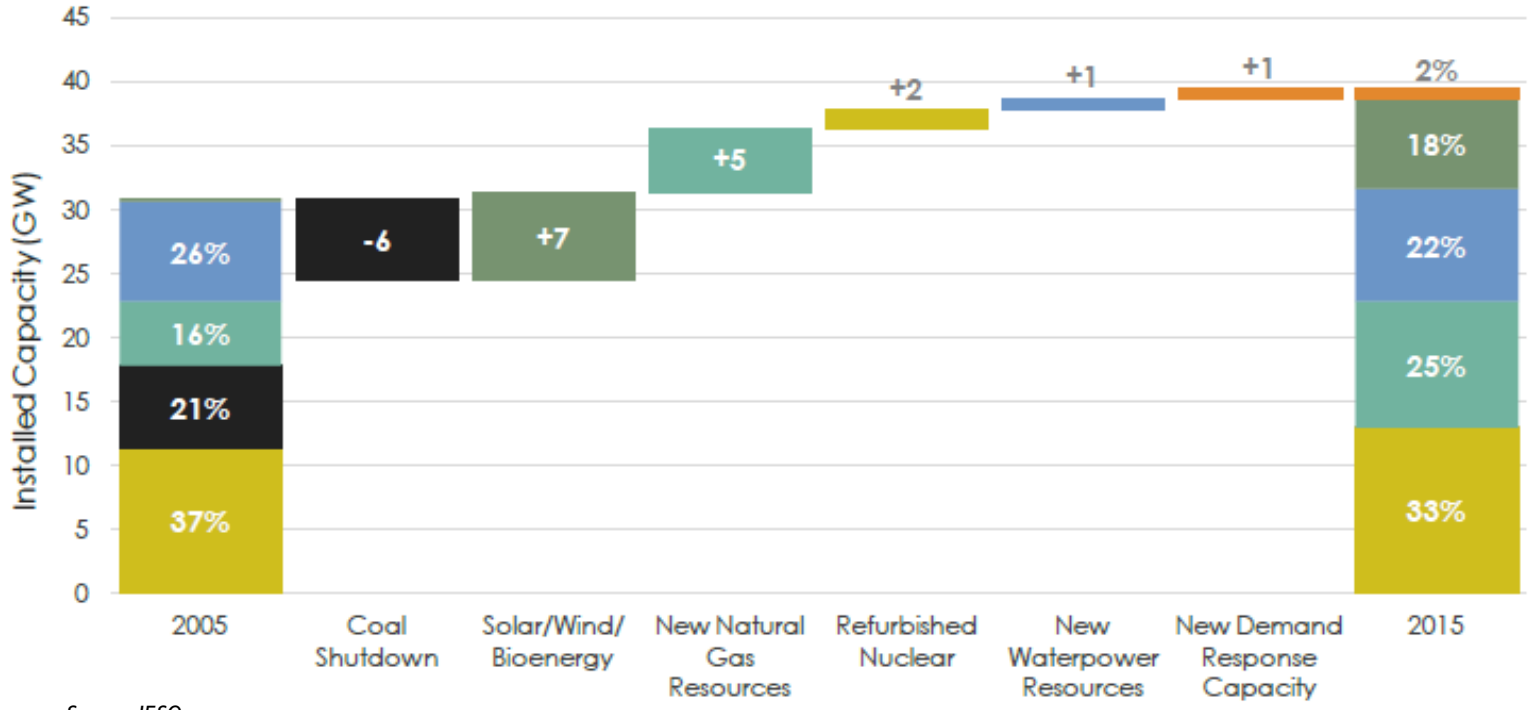

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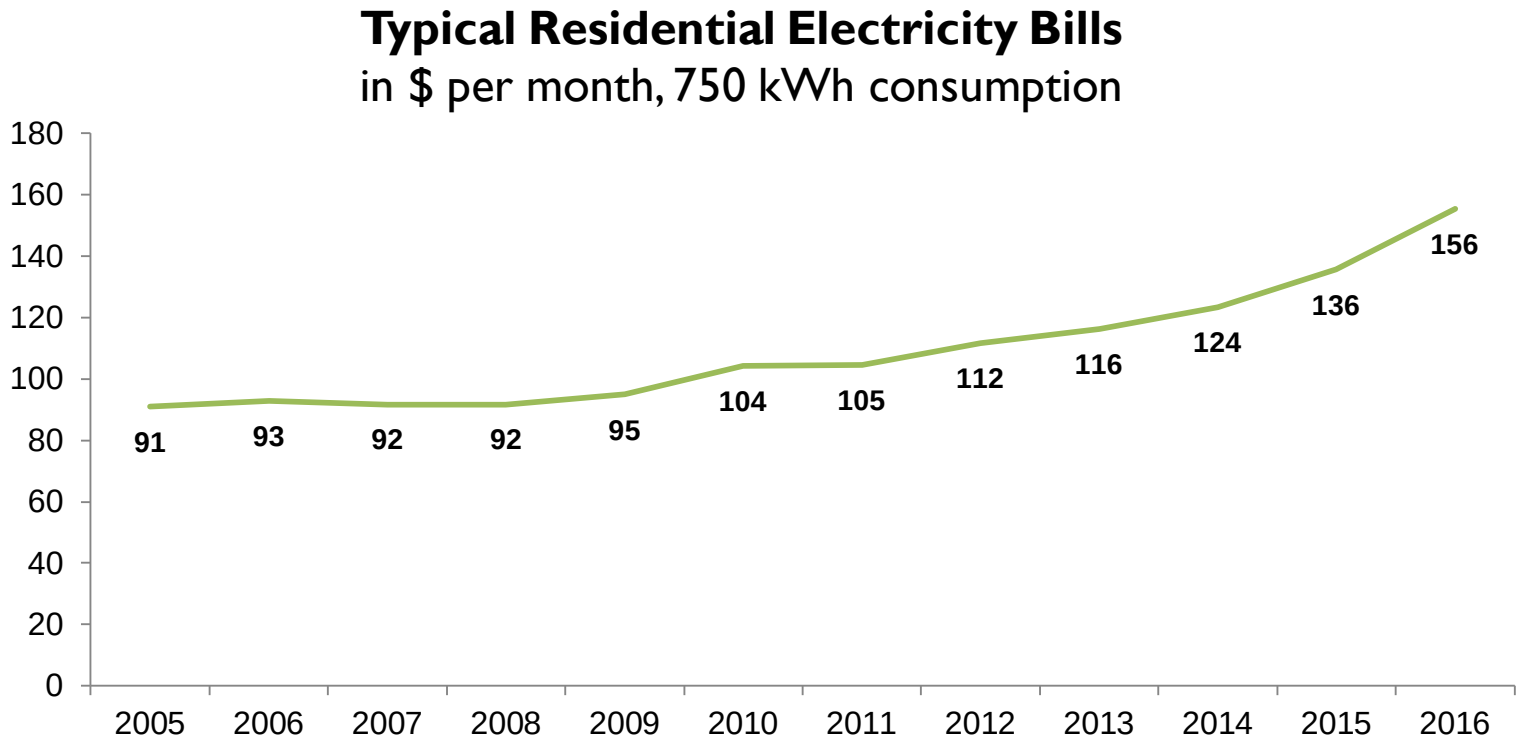

Source: Ministry of Energy

From:	Usman Zahid
To:	Ronald Kwan
Subject:	MO Bi-Weekly Agenda
Date:	Monday, December 18, 2017 5:48:58 PM
Attachments:	Annotated Agenda MO Bi-Weekly Dec 20.docx RE EXTERNAL FW Third Party Validation.msg

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Hi Ron,

Attached is the Agenda for Wednesday's potential (if it's not cancelled) MO bi-weekly. Also, a reminder that Marianne wants to discuss Zubacorp in the bi-weekly as well (see attached email).

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: December 20, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. First Payment of the equity injection for GA deferral – FYI Only

- OFA has signed a MOU with the Ministry of Energy regarding the payment process of the equity injections in OPG, and OFA will make the payments on behalf of the Ministry of Energy.

- On December 18, 2017, the Ministry of Energy provided a copy of the signed Share Subscription Form to the OFA. The total assets OPG is purchasing from the IESO is $1,179,000,000, and the Province will fund 44%, or $518,760,000 through the equity injections in OPG. The transaction is expected to close on December 20th, 2017 and OFA is on track to complete the payment on behalf of MOE.

- Based on the share price of $42.46 as of September 30, 2017, the Province will receive 12,217,616 Class A shares.

2. Trillium Trust – Crediting the Gains from the Sale of the Ontario Power Generation Head Office

- A regulation to credit the gains from the sale of the OPG Head Office properties at 700 University Avenue and 40 Murray Street in Toronto has been drafted, along with a draft TB20 and briefing materials, which are under staff review.

- It has tentatively been targeted for the January 24 TB/MBC meeting for approval, pending approval to move forward. The formal deadline for submission of materials to Treasury Board is January 3.

- The sale closed in early April 2017 and is already in the public domain, including being reported in OPG's quarterly financial statements.

3. OPG rate application 2017 to 2021

- On May 27, 2016 OPG filed its application with the Ontario Energy Board (OEB) for changes in payments amounts for the output of its nuclear generating facilities and the regulated hydroelectric generating facilities for the period January 1, 2017 to December 31, 2021.

- The Ontario Energy Board ruling on the rate application is imminent, but it is uncertain whether it will be provided before the end of 2017 or early in 2018.

- Based on OEB's staff submission recommendation in May 2017, CEFD estimates a potential impact of up to $180m to $200M to the fiscal plan over each of the next 4 years. The OEB Board is not bound by staff recommendation.

- Other risks with respect to OPG's rate application include the following:
    a. $720 million one-time if the rate decision (assume by end of 2017) is not made retroactive to January 1, 2017
        i. Note, OEB's Hydro One's transmission decision was made retroactive to January 1, 2017
    b. a $600 million one-time risk if OEB directs OPG to switch form accrual-based to cash-basis for Pension and OPEB costs
        i. This risk appears to be mitigated as an OEB September 2017 Report, recommended continuance of an OPG variance account (tracking the difference between cash and accrual basis accounting) which has been in place since 2014.
    c. A $450 million ongoing risk reflecting the potential impact of an OEB decision that OPG switch to cash-basis accounting for regulated recovery of nuclear payment amounts.
        - OEB staff report (May 2017) appears to mitigate this risk as it makes no decision and recommends revisiting this issue in 5 years at next OEB application.

4. Hydro One OEB Transmission ruling Motion to Review and Court Appeal

- On September 28, 2017, the OEB ruled on Hydro One's Transmission rate application for 2017 and 2019. In particular the OEB ruled that Hydro One must share a portion of its deferred tax benefit with ratepayers. (Hydro One's application assumed 100% of the benefit would accrue to shareholders).

- Hydro One has filed a Motion to Review with the OEB and has also filed a court appeal. The latter is stayed pending the OEB review process. Hydro One is uncertain about timing but expect the review to get underway in first quarter of 2018 with a decision possibly in the f1st or 2nd quarter of 2018.

- Hydro One estimates a one-time impact of a decision not in its favour of up to $885 million. The fiscal impact to the Province based on share allocations would be about $440 million.

5. Impact of the FHP on Certain NUGs

- On December 15, 2017, the Minister of Finance issued a direction to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
    - Staff for OEFC will be proceeding with consultations with affected NUGs to request their views on how GA deferral would be incorporated into the calculation of indices used to determine escalation of affected PPA rates. Two options have been prepared to present to the affected NUGs and to solicit NUG views / choice of option.

6. Constance Lake First Nation (CLFN) Meeting

- On November 22, 2017, the Deputy met with CLFN and its advisors, as well as OFA staff.

- CLFN discussed its position on the generator debt and noted that it would like to propose a framework agreement, as was the case in discussions with ENERGY.
- CLFN also requested capacity funding.
- Brookfield was represented and stated that Brookfield supports having any benefit provided under the power purchase agreement would be effectively for the benefit of CLFN.

- The DMs of ENERGY and MOF have had a conversation about capacity funding and there is openness on the part of ENERGY to looking into providing capacity funding.
  - CEFD and Energy staff are in discussions. Proposal under discussion would be that the Transfer Payment Agreement (TPA) would be with Energy and CLFN, while CEFD would review the proposed budget and submitted invoices.
  - Energy staff have provided OEFC with a draft TPA which is anticipated to be shared with CLFN.
- Staff for OEFC also had two phone calls with CLFN and its advisors to discuss some of the elements that would need to be in a framework agreement to which OEFC would be party, such as its compatibility with OEFC's mandate, the inclusion of Brookfield and exclusion of capacity funding from OEFC.
  - CLFN has shared a draft framework agreement and staff have provided comments on December 8, 2017;
  - Assuming that CLFN is open to working toward a framework agreement that fits within OEFC's mandate, staff anticipate that the outcome of the work noted in the agreement would be to seek consensus on the financial status of the facility and to formulate options, on a without prejudice basis, to generate benefits to CLFN in relation to the generator debt;
  - While the options are yet to be formulated, it is possible that executing some of these options will fall outside of OEFC's mandate and will require a direction from the Minister.

OTHER ISSUES

7. Ministerial Lending Directive – OFA Loan to OCRC

- The Cannabis Secretariat is seeking a loan of up to $150M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set up costs, in accordance with policy approval obtained from Treasury Board on October 17, 2017.
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Prior to entering into a loan agreement with the OCRC, the OFA will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, FAA section 28 approval by the Minister of Finance will be required.
- Both the Lending Directive and section 28 are targeted to be ready for the Minister's approval before mid-January.
    - Following these approvals, the loan agreement would be finalized for execution by OCRC and the OFA.

8. Loan to St. Michael's Hospital (SMH) re: HOOPP

- SMH has approached MOHLTC and OFA re: possible loan from the OFA/Province to finance the merging of their pension plan with HOOPP. SMH does not have sufficient assets to finance the higher cost of HOOPP benefits. Loan would not be required till January 1, 2019 but St. Mike's has made a commitment to join the HOOPP plan by January 1, 2018.
    - Estimated loan amount is $110 million for a term of 25 years.
    - OFA has drafted a preliminary term sheet.
    - SMH has not yet provided financial details or business case to support their loan request.
- The MOHLTC Minister will write to the Minister of Finance requesting the OFA loan.
- Minister of Finance Lending Directive will be needed for the OFA to make the loan.
    - FAA s.28 approval from Minister of Finance will also be required.

From: Marianne Nguyen (MCYS) []
To: Ronald Kwan [Ronald.Kwan@ofina.on.ca]
CC: Usman Zahid [Usman.Zahid@ofina.on.ca]; Jonathan Tekle (CAB) [Jonathan.Tekle@ontario.ca]
Subject: RE: EXTERNAL – FW: Third Party Validation
Date: Tuesday, December 12, 2017 19:16:41

Hi Ron,

Are you able to connect with Carol directly to get a summary of the conversations and bring this forward to our next bi-weekly please?

Thanks,

Marianne

From: CROZZOLI Carlo -CBUSDEV&STRT [mailto:carlo.crozzoli@opg.com]
Sent: December-08-17 8:31 AM
To: Nguyen, Marianne (MOF)
Cc: Kwan, Ronald (OFA)
Subject: RE: EXTERNAL – FW: Third Party Validation

Marianne,

We have exchanged information with Zubacorp over the last few weeks, including a telephone conversation. Based on this, they have concluded that Nanticoke is not a suitable site for their purposes.

Let me know if you require any further details or follow up.

Carlo

Carlo Crozzoli | Senior Vice President, Corporate Business Development and Strategy | Ontario Power Generation
700 University Ave, Toronto, ON M5G 1X6 | T 416-592-6389 | C 416-573-5111 | E carlo.crozzoli@opg.com

From: Nguyen, Marianne (MOF) [mailto:Marianne.Nguyen@ontario.ca]
Sent: Wednesday, November 15, 2017 5:49 PM
To: CROZZOLI Carlo -CBUSDEV&STRT <carlo.crozzoli@opg.com>
Cc: Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>
Subject: EXTERNAL – FW: Third Party Validation

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Hi Carlo,

I'm pleased to e-meet you. Ron Kwan provided your contact name to me. Either Ron or I would be happy to provide more context on this request if you like.

Cheers,

Marianne Nguyen

Senior Policy Advisor

Office of the Hon. Charles Sousa

Ontario's Minister of Finance

T: 416-325-0007

From: Nguyen, Marianne (MOF)
Sent: November-15-17 5:48 PM
To: Bill@zubacorp.com
Cc: e_ieradi@rogers.com; Gary Usling 2 (guslingjungfraultd@gmail.com); 'carlo.crozzoli@opg.com'
Subject: RE: Third Party Validation

Hi Bill,

Thank you kindly for sharing the attached study. As promised, I would like to introduce you by way of this email to Carlo Crozzoli, Senior Vice President of Corporate Business Development and Strategy at the Ontario Power Generation. I encourage you to follow up with him directly to chat further about your project. I will leave it to you gentlemen to coordinate some time to meet.

Warmly,

Marianne

From: Zubacorp Gbc [mailto:Bill@zubacorp.com]
Sent: November-02-17 10:11 AM
To: Nguyen, Marianne (MOF)
Cc: G. Ieradi; Gary Usling 2; Sousa, Charles (MOF)
Subject: Third Party Validation

Good morning Marianne,

Please confirm receipt of our prior email entitled Nanticoke Regeneculture Meeting Follow Up dated October 27, 2017 and advise if you are able to assist us as requested therein.

We have followed up on your suggestion that third party validation of technology is required, please find attached a copy of the Canadian Biogas Association Study dated Nov 2013 which provides incontrovertible validation.

The study was funded in part by the Government of Ontario and is the predominant industry guideline.

There are already thousands of agricultural and municipal waste digesters operating in Canada and the USA.

It is imperative to understand that biodigestion of organics is not new and that the science is well established.

A biodigester is a machine, it does not differentiate between organic biomass pollution or municipal organic waste.

Bio-Regeneculture differs from agricultural or municipal in that we use air and water pollution as feedstock.

The intent of farmers and municipalities is to make waste gone at a profit, our intent is to do likewise using pollution.

Biomass pollution consumption to economic and environmental benefit eliminates the pollution remediation liability..

The proposed Nanticoke Regeneculture organic energy opportunity is driven by the sheer volume of pollution based organic biomass in the lakes, no municipality or farmer has millions of tonnes of organic waste available for alternative energy conversion.

Bio-Regeneculture is the solution to pollution and the Nanticoke Proposal supports that conclusion.

If not Nanticoke itself, there are myriad other locations available in Ontario albeit not as ideal as Nanticoke.

As I said in my prior correspondence, the Multi-Ministry cooperation necessary to develop this opportunity is problematic. Your Ministries suggestions on how to best overcome that particular challenge would be most appreciated.

In the long run, the Ministry of Finance has as much or more to gain than nearly all of the other 29 Ministries as they are all dependent upon Finance and the proposal will affect the majority in one way or another.

Thank you once again for your time, consideration and patience in this matter of mutual interest and benefit.

Time is of the essence,

Please advise,

W.C. (Bill) Jolliffe

Jolliffe@Zubacorp.com

1-519-238-2153

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From: Usman Zahid
To: Ronald Kwan
Subject: MO Bi-Weekly Agenda
Date: Monday, December 04, 2017 4:13:49 PM
Attachments: Annotated Agenda MO Bi-Weekly Dec 5 2017.docx

Hi Ron,

Attached is the MO Bi-Weekly Agenda for the meeting tomorrow. John has said that he is okay with removing the Darlington and MNDM items, however he will leave it up to your discretion.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: December 5, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. IESO Credit Facilities

OFA Facilities

- On June 6, 2017, staff finalized the OFA IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan (FHP).
    - The existing $975 million facility is currently more than $800 million drawn.
    - On November 21, 2017, with the $2 billion facility now in place, the $975 million facility was reduced to $475 million.
- Based on discussions between CEFD staff and Energy counterparts, IESO will tap into the $2 billion FHP facility to fund the interest costs and fees portion of the regulatory asset in the first four years of the FHP implementation.

OEFC Facilities

- Staff are working to make technical amendments to the existing OEFC lending agreements.
    - In the amended OFA credit facility agreement and the new FHP facility agreement, technical amendments were made to add to the definition of "Permitted Liens".
    - This was to facilitate the IESO to enter into a Security Agreement with OPG Trust where during the initial four years of the global adjustment (GA) deferral, the Clean Energy Adjustment funds collected by the IESO would be considered to be subject to a lien, which would cause a default under the existing credit agreements unless the definition of the term is amended to allow for any liens arising from IESO's involvement in the FHP. This Security Agreement applies for the first four years of the FHP.
    - The same request would need to be made to the OEFC facilities to allow for the above mentioned Security Agreement.
    - According to IESO staff, TD, the other entity with the credit arrangement with the IESO, has already granted the change following IESO's request.
    - Amendments are expected to be signed this week.

2. IESO Provincial Guarantee Discussion with Energy

- CEFD staff received an email from Energy counterpart on exploring the approvals required for a provincial guarantee against the possibility of insolvency.
    - The discussion is very exploratory but a separate call with IESO staff confirmed that IESO has held discussion with Energy on the request.

3. LOAN INTERCEPT – OFA Loan to OLG for Lottery Terminals Replacement

- In Spring 2017, OLG requested approval for financing for its lottery terminals and network replacement and expansion project.
    - The loan directive and s.28(1) were signed by the Minister of Finance on July 18, 2017.
    - The loan directive directed the OFA to provide financing to OLG subject to terms and conditions that are consistent with the OFA's Lending Policy.
- According to the OFA Lending Policy, an intercept provision is required in all loan agreements as security against non-payment.
    - The intercept provision is contained in the loan agreement and must be authorized by the responsible minister. Since the Minister of Finance is the responsible minister, the Minister would be required to sign and be party to the agreement.
- Along with the loan agreement, OLG is also seeking s.28(1) approval of the Master Services Agreement (MSA) to be entered into with the service provider for the replacement lottery terminals.
    - Given the value of the contract, the Minister of Finance's signature will be required for the s.28(1) approval.
- OLG is seeking s.28(1) approval by February 9, 2018, in order to move forward with the execution of the MSA.
- Since the Minister of Finance's signature is required for both the loan agreement and the s.28(1) approval, staff are working with OLG to ensure that the documents can be signed concurrently.

4. ONFA Access Agreement

- Following the public hearing held on October 11, 2017, on November 28, 2017, the Canadian Nuclear Safety Commission (CNSC) announced its decision to accept Ontario Power Generation Inc.'s (OPG) proposed consolidated financial guarantee, from January 1, 2018 through to December 31, 2022, in respect of OPG's nuclear station decommissioning and nuclear waste management obligations.
    - Unlike previous years, for each year of the 2018-2022 period, the projected value of the nuclear funds is expected to be greater than the total financial guarantee requirement.
    - As a result, the Province will no longer provide a direct guarantee (the "Provincial Guarantee") to cover the difference between the CNSC's financial guarantee requirement and the value of the nuclear funds.
- While a Provincial Guarantee will no longer be necessary, the current ONFA Access Agreement (the "Agreement") needs to be amended to continue to give the CNSC access (in prescribed circumstances) to the segregated funds established under ONFA.
- Ministry of Finance Legal are working with OPG to finalize the necessary amendments to the Agreement.

- OPG staff are tracking to seek OPG approval of amendments to the Agreement by December 12, 2017.
- Following OPG's approval, it is recommended that the Minister of Finance approve (and sign) the amendments to the Agreement before December 31, 2017 to ensure that OPG and the Province can satisfy CNSC's licensing requirements for the 2018 – 2022 period.

5. Impact of the FHP on Certain NUGs

- On November 16, 2017, the Minister of Energy sent a letter to the Minister of Finance providing support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
  - A draft Minister of Finance direction to OEFC is being prepared for consideration.
  - If a direction is provided, staff for OEFC would proceed with consultations with affected NUGs to request their views on how GA deferral would be incorporated into the calculation of indices used to determine escalation of affected PPA rates.

6. Ottawa River Water Powers Act

- On November 7, 2017, a meeting with Cabinet Office, MNRF, ENERGY and MOF was held to discuss an upcoming negotiation between Ontario and Quebec on water power rental rates for hydroelectric stations on the Ottawa River. These water power rentals are paid by Hydro Quebec to Ontario and by OPG to Quebec. The respective current magnitudes are both under $10 million per year in total.
  - The meeting included discussion of background on this issue and broad discussion of considerations. CEFD/MOF staff stated that the ministry has not yet established a position on the issue, but noted that MOF may prefer that any negative fiscal impact from lower revenues from Hydro Quebec to the Province be avoided or minimised.
  - Representative from Cabinet Office Intergovernmental Affairs stated that as this is an operational issue, it would not be participating in negotiations, but could provide support.
  - A follow-up meeting is scheduled for December 5 which may include discussion on the development of Ontario's position on Ottawa River water rentals through consideration of each ministry's views on the issue.
- The current 25 year agreement sets rates to the end of 2017 and had included significant increases over that period.
- The current rates are now relatively similar to the rates for water power rentals in each of Ontario and Quebec for power dams on Provincial Crown lands.
  - Ontario's water power rentals for hydro-electric stations on Provincial Crown Lands are now a component of the Gross Revenue Charge (GRC), under an amendment in 2001 to the *Electricity Act, 1998*, and related regulations, under the authority of the Minister of Finance.

- MOF issues might include maintaining the fiscal plan framework and not be seen as setting an adverse precedent for Ontario's GRC (water power rental portion or the property tax portion).
- MNRF has indicated that it may be more appropriate for ENERGY and/or MOF to lead the negotiations as these Ministries are closer to the issue.
    - ENERGY has a strong relationship with OPG, who pays the bulk of water rentals under this agreement and would be directly affected, although OPG does flow any costs associated with water rentals to the ratepayer
    - MOF was the lead in the 1993 negotiations; CEFD is responsible for the GRC policy, a charge which includes a water rental component.

7. Ministry of Energy Darlington Refurbishment Report Back Submission

- Energy is seeking to report back in December; however, CO has indicated that the Cabinet agenda is full and mid-January may be more likely.
- Energy is seeking direction on proceeding with the next unit refurbishment to provide more certainty as OPG proceeds to prepare for refurbishment, e.g., for detailed engineering, procuring long-lead items, and collective agreement bargaining (CA expires March 31, 2018).

8. Constance Lake First Nation (CLFN) Meeting

- On November 22, 2017, the Deputy met with CLFN and its advisors, as well as OFA staff.
    - CLFN discussed its position on the generator debt and noted that it would like to propose a framework agreement, as was the case in discussions with ENERGY.
- Staff for OEFC also had two phone calls with CLFN and its advisors to discuss some of the elements that would need to be in a framework agreement to which OEFC would be party, such as its compatibility with OEFC's mandate, the inclusion of Brookfield and the absence of capacity funding from OEFC.
    - CLFN has shared a draft framework agreement and staff are reviewing;
    - Assuming that CLFN is open to working toward a framework agreement that fits within OEFC's mandate, staff anticipate that the outcome of the work noted in the agreement would be to seek consensus on the financial status of the facility and to formulate options, on a without prejudice basis, to generate benefits to CLFN in relation to the generator debt;
    - While the options are yet to be formulated, it is possible that executing some of these options will fall outside of OEFC's mandate and will require higher levels of approval.
- The DM of ENERGY and MOF have also had a conversation about capacity funding and there is openness on the part of ENERGY to looking into providing capacity funding.

9. Amendments to MOF loan with the Power Workers Union (PWU)

- The Power Workers Union (PWU) has proposed amendments to its loan agreement with the Province to enable it to assign its beneficial interests in the trust it established for the purposes of the Hydro One loan transaction to a new trust. This new trust would have PWU's members as secondary beneficiaries, and the PWU as the primary beneficiary. The initial trust was established with the PWU as the ultimate beneficiary so that the parties could execute the Hydro One share sale transaction without a prospectus, with the PWU having sufficient assets to qualify as an accredited investor.
    - Tory's, the Province's external counsel on this matter, is planning to brief the Minister of Energy during the week of November 27th and would like to also brief the Minister of Finance the same week.
    - For transparency, the Minister needs an amended OIC in order to consent to this change. LRC approval of the draft OIC will be sought on December 11th.
    - A number of amendments to the loan agreement have been drafted. The Minister was briefed on December 4th with the understanding that final execution of all relevant agreements will occur following LRC approval.

10. MNDM Proposal to Support Mining Companies

- MNDM presented at multi-corners on October 31, 2017 to discuss key mining companies that are at a critical stage in investment decision-making and are looking for government support in a number of areas, such as energy prices.
- A follow up meeting took place on November 17, 2017.
- According to MOF staff who joined in (via teleconference) the following highlights were provided:
    - Around $6 billion in investments into Ontario are being considered by Vale (Sudbury, former Inco), Glencore (Sudbury, former Falconbridge), and Goldcorp (Timmins).
    - While there have not been specific asks, the companies are concerned about cost uncertainty, especially around electricity and cap & trade.
    - MNDM has developed potential policy options, focused on energy price relief, but also looking at other options (e.g. JPF).
    - Government preferred approach will ideally be in place by around December 1st, in anticipation of a meeting that Glencore has requested.
- Some proposals being discussed would potentially include adding new streams to the Northern Industrial Electricity Rate Program (NIER) costing estimated $13M per year (with new stream for smelters, which would exclude Goldcorp) to $30M per year (with new stream for major capital investment in mining) and setting a fixed electricity price ceiling (indexed for inflation).
- MNDM is planning to lead an inter-ministry group to develop options (MNDM, Energy, MEDG, MOECC and MOF).

OTHER ISSUES

11. Ministerial Lending Directive – OFA Loan to OCRC

- The Cannabis Secretariat is seeking a loan of up to $150M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set up costs, in accordance with policy approval obtained from Treasury Board on October 17, 2017.
- Recently introduced legislation establishing the new corporation is expected to be passed before the House rises in December – more specifically, it is expected to be passed next week.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Prior to entering into a loan agreement with the OCRC, the OFA will require a ministerial Lending Directive authorizing it to make the loan. In addition, FAA s. 28 approval by the Minister of Finance will be required. Both the Lending Directive and section 28 are targeted to be ready for the Minister's approval before the holiday break, subject to his availability.
- The loan agreement would then be finalized for execution by OCRC and the OFA in early-to-mid January.

3. Loan to St. Michael's Hospital (SMH) re: HOOPP

- SMH has approached MOHLTC and OFA re: possible loan from the OFA/Province to finance the merging of their pension plan with HOOPP. SMH does not have sufficient assets to finance the higher cost of HOOPP benefits. Loan would not be required till January 1, 2019 but St. Mike's needs to commit to joining the HOOPP plan by January 1, 2018 otherwise the cost will be even higher due to changes to HOOPP benefits that will take effect January 1, 2018.
    - Estimated loan amount is $100 million for a term of 25 years.
    - OFA has drafted a preliminary term sheet.
    - SMH has not yet provided financial details or business case. MOHLTC is following up with SMH CEO to:
        - Confirm that SMH wishes to proceed with loan
        - Confirm the date that the loan will be required.
- Subject to confirmation from SMH, the MOHLTC Minister will write to the Minister of Finance requesting the OFA loan.
- Minister of Finance Lending Directive will be needed for the OFA to make the loan.

From: Usman Zahid
To: Ronald Kwan
Subject: MO Bi-Weekly Agenda
Date: Friday, November 17, 2017 5:44:28 PM
Attachments: Annotated Agenda MO Bi-Weekly Nov 21 2017.docx

Hi Ron,

Attached is the proposed MO Bi-Weekly Agenda for next week's meeting. Jonathan had asked that we include the OMAFRA Trillium Trust item. I passed this information on to SIFB, and they are okay with including it, however they did note that we are not coordinating the sign-off for the Minister. The sign-off was determined by CQSD and they are leading this, and as such would be in the best position to provide more information.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: November 21, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. IESO Credit Facilities

OFA Facilities

- On June 6, 2017, staff finalized the OFA IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan (FHP).
    - The existing $975 million facility is currently more than $800 million drawn.
    - On November 21, 2017, with the $2 billion facility now in place, the $975 million facility is scheduled to be reduced to $475 million. The date is for technical reason of allowing existing balance to mature and be transition to the new $2 billion facility

OEFC Facilities

- Staff are working to make technical amendments to the existing OEFC lending agreements.
    - In the amended OFA credit facility agreement and the new FHP facility agreement, technical amendments were made to add to the definition of "Permitted Liens".
    - This was to facilitate the IESO to enter into a Security Agreement with OPG Trust where during the initial four years of the global adjustment (GA) deferral, the Clean Energy Adjustment funds collected by the IESO would be considered to be subject to a lien, which would cause a default under the existing credit agreements unless the definition of the term is amended to allow for any liens arising from IESO's involvement in the FHP. This Security Agreement applies for the first four years of the FHP.
    - The same request would need to be made to the OEFC facilities to allow for the above mentioned Security Agreement.
    - According to IESO staff, TD, the other entity with the credit arrangement with the IESO, has already granted the change following IESO's request.

2. OMAFRA / MOI TRILLIUM TRUST DRAWDOWN INCREASE

- The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Ministry of Infrastructure (MOI) are tracking to TB/MBC on November 28 to request an increase to their expenditure appropriation for infrastructure projects that receive support from the Trillium Trust.

- Given the request for an appropriation increase, MOF/OFA/TBS staff advised OMAFRA and MOI that the submission should also request additional support from the Trillium Trust. The total additional support totals $9.5M.

- Since this impacts the Ministry of Finance, CQSD is co-ordinating the required changes and Minister's sign-off. CQSD should be in a position to provide more information on the item, if needed.

3. Impact of the FHP on Certain NUGs

- On November 16, 2017, the Minister of Energy sent a letter to the Minister of Finance providing support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
  a. A draft direction to OEFC is being prepared for consideration.
  b. If a direction is provided, staff for OEFC would proceed with consultations with affected NUGs to request their views on how GA deferral would be implanted in the calculation of indices used to determine escalation of PPA rates.

4. Ottawa River Water Powers Act

- On November 7, 2017, a meeting with Cabinet Office, MNRF, ENERGY and MOF was held to discuss an upcoming negotiation between Ontario and Quebec on water rental rates for hydroelectric stations on the Ottawa River. These water rentals are paid by Hydro Quebec to Ontario and by OPG to Quebec.
  - Meeting included discussion of background on this issue and broad discussion of considerations. MOF staff stated that the ministry has not yet established a position on the issue, but noted that MOF may prefer that any negative fiscal impact from lower revenues from Hydro Quebec to the province be avoided or minimised.
  - Representative from Cabinet Office Intergovernmental Affairs stated that as this is an operational issue, it would not be participating in negotiations, but could provide support.
  - A follow-up meeting is scheduled for December 5 which may include discussion on the development of Ontario's position on Ottawa River water rentals through consideration of each ministry's views on the issue.
- The current 25 year agreement sets rates to the end of 2017 and had included significant increases over that period.
- The current rates are now relatively similar to the rates for water power rentals in each of Ontario and Quebec for power dams on Provincial Crown lands.
  - Ontario's water power rentals are a component of the Gross Revenue Charge, established under the *Electricity Act, 1998*, and related regulations, under the authority of the Minister of Finance.
- MOF issues might include maintaining the fiscal plan framework and not be seen as setting an adverse precedent for Ontario's GRC.

5. Constance Lake First Nation (CLFN) Meeting Request

- Meeting between the Chief and the Deputy scheduled for November 22.
- CLFN has approached ENERGY seeking capacity funding for their advisor for discussions with OEFC/MOF.
    - ENERGY has indicated that they are amenable to providing such funding, but sought MOF's input on such funding being provided.
    - Staff provided feedback to ENERGY that this was for Energy to determine, noting that MOF would not be expressing an opinion on the matter.

OTHER ISSUES

6. Ministerial Lending Directive – OFA Loan to OCRC

- The Cannabis Secretariat is seeking a loan of up to $150M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set up costs, in accordance with policy approval obtained from Treasury Board on October 17, 2017.
- Recently introduced legislation establishing the new corporation is expected to be passed before the House rises in December.
- Prior to entering into a loan agreement with the OCRC in late December, the OFA will require a ministerial lending directive (target date: end of November/early December) authorizing it to make the loan. In addition, FAA s. 28 approval by the Minister of Finance will be required.

2. Amendments to MOF loan with the Power Workers Union (PWU)

- The Power Workers Union (PWU) has proposed amendments to its loan agreement with the Province to enable it to assign its beneficial interests in the trust it established for the purposes of the Hydro One loan transaction to a new trust. This new trust would have PWU's members as secondary beneficiaries, and the PWU as the primary beneficiary. The initial trust was established with the PWU as the ultimate beneficiary so that the parties could execute the Hydro One share sale transaction without a prospectus, with the PWU having sufficient assets to qualify as an accredited investor.
  - Tory's, the Province's external counsel on this matter, is planning to brief the Minister of Energy during the week of November 27th and would like to also brief the Minister of Finance the same week.
  - For transparency, the Minister needs an OIC in order to consent to this change. LRC approval of the draft OIC will be sought on December 11th.
  - A number of amendments to the loan agreement are being drafted. Minister approval will be sought following LRC approval.

3. Loan to St. Michael's Hospital (SMH) re: HOOP

- SMH has approached MOHLTC and OFA re: possible loan from the OFA/Province to finance the merging of their pension plan with HOOP. SMH does not have sufficient assets to finance the higher cost of HOOP benefits. Loan would not be required till January 1, 2019 but St. Mike's needs to commit to joining the HOOP plan by January 1, 2018 otherwise the cost will be even higher due to changes to HOOP benefits that will take effect January 1, 2018.
  - Estimated loan amount is $100 million for a term of 35 years.
  - SMH to provide business case to support their loan request
  - OFA to draft preliminary term sheet
- The MOHLTC Minister will have to write to the Minister of Finance requesting the OFA loan.
- The Minister of Finance will need to provide a directive to the OFA to make the loan.

From: Usman Zahid
To: Ronald Kwan
Subject: MO Bi-Weekly Agenda
Date: Monday, November 06, 2017 9:59:02 AM
Attachments: Annotated Agenda MO Bi-Weekly Nov 6 2017.docx

Hi Ron,

Attached is the proposed MO Bi-Weekly Agenda for tomorrow's meeting.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: November 7, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. IESO Credit Facility

- Staff are continuing to work to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $800 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $495 million.

- Staff expect execution of the letter agreement, which provides concurrence by all involved parties on the intercept provision, and the credit facilities agreements today.

2. Section 28 Approval for ONTC Line of Credit

- The Ministry of Northern Development and Mines (MNDM) is seeking s. 28 approval to allow the Ontario Northland Transportation Commission (ONTC) to establish a $5 million line of credit with the Ontario Financing Authority (OFA) to manage its cash flow related to operations and capital spending.

- MNDM received Treasury Board/Management Board of Cabinet (TB/MBC) approval on October 31 to move forward with an Order in Council (OIC) authorizing ONTC to borrow from the OFA.

    - ONTC requires an OIC in order to have the authority to enter into a LOC agreement with the OFA.

    - Before the OIC can be approved by the Lieutenant Governor in Council (LGIC), MNDM must have approval from the Minister of Finance under subsection 28(1) of the *Financial Administration Act.*

- This item is tracking to Cabinet for **November 15, 2017**, pending s. 28 approval.

- CEFD staff are working with MOF/OFA Legal to finalize the s.28 approval package and Minister's Directive, to be signed by the Minister of Finance.

- If the Deputy Minister or Minister would not be in a position to review this item prior to November 15, 2017, CEFD staff will work with TBS and/or MNDM on alternative options.

    - TBS has been discussing with alternative options with Cabinet Office. TBS staff have stated that if absolutely necessary, it would be possible to delay the LGIC signing by a week. In this case, a formal request to delay signing would need to be made from MNDM's DMO or legal director.

3. Impact of the FHP on Certain NUGs

- Staff for OEFC have drafted a potential letter from the Minister of Energy to the Minister of Finance that would provide support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
    - This draft letter has been shared with Energy at a staff level and based on feedback from Energy, a new draft has been prepared.
    - A key issue is ensuring that the letter focuses on the GA deferral aspect of the FHP and not other aspects of Fair Hydro Plan (FHP) such as the funding of the Rural or Remote Rate Protection or Ontario Electricity Support Program through provincial revenues, as the impact of those changes are already determined.

4. Constance Lake First Nation (CLFN) Meeting Request

- Meeting scheduling between the Chief and the Deputy is pending, but is currently targeted for November 22 with a pre-brief planned for November 17.
- CLFN has approached ENERGY seeking capacity funding for their advisor for discussions with OEFC/MOF.
    - ENERGY has indicated that they are amenable to providing such funding, but sought MOF's input on such funding being provided.
    - Staff provided feedback to ENERGY noting that MOF has no opinion on the matter.

OTHER ISSUES

5. Loan Program for Energy Retrofit Projects at Colleges and Universities\

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted as well as an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD is seeking an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF/TBS legal have provided drafting instructions to Leg Counsel.
    - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of November, provided that Leg Counsel is able to complete the drafting of the regulation.

6. College Class Exemption Regulation

- MAESD Minister has sent a request to the Minister of Finance for a limited college class exemption regulation under existing FAA s.28 based on materiality thresholds, as an interim measure.
- It is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not).
- MoF Legal has prepared drafting instructions to Leg Counsel re: college class exemption based on materiality thresholds.
- Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of November – early December, provided that Leg Counsel is able to complete the drafting of the regulation.

7. Ministerial Lending Directive – OFA Loan to OCRC

- The Ontario Cannabis Retail Corporation (OCRC) will require a loan of up to $150M to cover its set-up costs so that it will be ready to retail cannabis starting on July 1, 2018.
- Recently introduced legislation establishing the new corporation is expected to be passed before the house rises in December.
- Prior to entering into a loan agreement with the OCRC in December, the OFA will require a ministerial lending directive (by the end of November) authorizing it to make the loan.

From: Usman Zahid
To: Ronald Kwan
Subject: MO Bi-Weekly Agenda
Date: Monday, March 26, 2018 11:55:37 AM
Attachments: Annotated Agenda MO Bi-Weekly March 27.docx

Hi Ron,

Attached is the Agenda for tomorrow's meeting. IGB has included an item for discussion.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: March 27, 2018

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

CEFD ITEMS

1. Upcoming Asset Optimization Treasury Board Submissions

CEFD is developing a couple of notable submissions to Treasury Board to support the Province's asset optimization initiative.

Financial Benefit to OEFC – s.50.3 of the Electricity Act

a. Following TB approval, the Minister will also be asked to sign a certificate of remission, to allow the payment to be made by forgiving amounts owed by OEFC to the Province. The debt remission is currently scheduled for May 23rd and June 20th of 2018.

Seaton Lands

b. CEFD continues working with MOF Legal and Leg. Council to ensure that the net proceeds from any sales in 2017-18 can be credited to the Trillium Trust.

c. At this point all viable options will be after March 31, 2018 but before the Province closes the books for fiscal 2017/18 :

   i. To file a "high-level" description of Seaton that would be completed with details as each parcel is sold. OFA, MOF Legal and Leg. Council are working on solving or mitigating the lack of precision with respect to the description of the Seaton Lands.

   ii. To file a detailed regulation once the sale agreements are available. However, IO has yet to provide a precise description of the lots and has indicated that as part of the transactions new PIN numbers will be filed so the current land registry information cannot be used.

d. Given the need to proceed before the books of the Province are closed, staff is recommending proceeding with a "high-level" description if further information is not received before March 31st, 2018.

2. Transfer of Hydro One corporate tax to OEFC – s. 91.2 of the Electricity Act

- Following the initial public offering, Hydro One exited the PILs regime and became subject to paying federal and provincial corporate taxes to the respective governments.
- Under s. 91.2 of the *Electricity Act, 1998,* the Minister of Finance has a statutory requirement to pay to the Ontario Electricity Financial Corporation (OEFC) an amount equal to HOI's Ontario corporate tax payable each year.

- This helps OEFC to service and pay down the electricity sector stranded debt.

- The 2017-18 amount is $23.7 million. Payments under s. 91.2 are fiscally neutral on consolidation being offset by Hydro One corporate tax paid to the Province.

3. OPG Business Plan Treasury Board for Concurrence

- As required by the Memorandum of Agreement between OPG and the Minister of Energy, OPG provided its Business Plan for 2018-2021 to the Minister of Energy on February 12, 2018 for concurrence.

- Concurrence of OPG BP requires presentation of the business plan before the TB/MBC. CEFD staff understand that Energy is targeting a Treasury Board date in April.

- CEFD provided comments on the presentation on the BP review and fiscal impact projections.

4. Fair Hydro Plan – Equity Injection

- On March 22, 2018, OPG has confirmed the receipt of the second equity injection of $202.4M. The province received 4,627,343 Class A shares at a price of $43.74 per share.

- This represents 44% of $460M, the purchase price from the December 2017 to February 2018 period.

- Fiscal year equity injections total $721M compared to prior forecasts of $853M IOD forecast and $1.1B in Ministry of Energy 2017-18 Estimates.

- The OFA carried out the equity injection, facilitated by the Ministry of Energy.

5. Environmental Commissioner of Ontario

- ECO approached the Minister of Energy with questions on how the government plans to fund decommissioning and nuclear waste activity arising from the nuclear stations.

- ECO was explained that the government and OPG entered into the Ontario Nuclear Funds Agreement to ensure that enough funding is available to deal with future decommissioning and nuclear waste.

- ECO has been “questioning” why the Reference Plan developed by OPG and approved by the Province, in accordance with ONFA, is a confidential agreement. ECO has also questioned how the public can know if enough technical due diligence is conducted in ensuring that the estimates contained in ONFA are sound and prudent enough.

- ECO may publish a report on the topic.

6. Aboriginal Loan Guarantee Program (ALGP)

Metis Nations of Ontario

- The board of the Metis Voyager Development Fund ("MVDF", which is a subordinated supplier of capital to the investment for approximately $1 million plus accrued interest and fees) had taken longer than anticipated to approve the required Inter-creditor Subordination Agreement under the Guarantee Agreement that had otherwise been negotiated last year.

- Prior to the execution of the Inter-creditor Subordination Agreement, MVDF's counsel is said to be formalizing the agreement for the amortization of their loan. After consultation with the Borrower and its counsel it is unclear why MVDF or its counsel have been slow to complete the required documentation.

- Counsel for the Borrower has stated that all other agreements are now executed by the Borrower and the other MNO entities applicable under the loan and guarantee agreements.

- As soon as Borrower's counsel has received the executed Inter-creditor Subordination Agreement staff will be able to confirm the loan closing date with Borrower's counsel and, along with MOF legal and the ALGP due diligence service provider, complete confirmation that all conditions precedent are met under the Guarantee Agreement for the Confirmation of Guarantee. At that point, the lender, TD, and Borrower will be able to finalize the close of the guaranteed loan.

Watay

- Staff are also working on the ALGP application with respect to the Watay project.

- Energy received TB approval to enter into an MOU with respect to support for the Watay project. A public announcement with the Premier, Minister of Energy, federal Minister of Indigenous Services and Watay was made March 22, 2018 in Thunder Bay. The announcement mentioned provincial funding of $1.3 billion, backstopped by federal funding of $1.6 billion.

7. Constance Lake First Nation (CLFN) Meeting

- A Working Group meeting took place on March 8, 2018.
    - This meeting was subsequent to a February 15, 2018 Governance Committee meeting with CLFN and Algonquin Power (Nagagami) Limited Partnership (controlled by Brookfield), as provided for under the framework agreement between those parties and OEFC.
    - Algonquin Power (Nagagami) Limited Partnership is a non-utility generator (NUG) with a legacy, former Ontario Hydro, power purchase agreement (PPA with OEFC. The partners are Brookfield and CLFN

- Potential options to generate additional benefits for CLFN have been discussed and currently the option of “as if” debt forgiveness appears to be more viable, from an implementation perspective, than others.
    - Under this option, the additional benefits that would be made available if some or all of the generator debt related CLFN’s partnership share were “forgiven” is estimated. The actual generator debt would not be forgiven.
    - To implement this option, an adder is being discussed as the Implementation mechanism to be developed that would provide a benefit solely to CLFN up to an amount equivalent to the estimated distributions from the project that would result if all or a portion of the currently outstanding Generator Debt were not outstanding.
- Given that providing additional benefits to CLFN falls outside of OEFC’s mandate and a justification consistent with OEFC’s mandate for providing such support was not evidenced in discussions, support from the Minister of Finance and/or Minister of Energy may be required in order to allow for the implementation of a price adder.
    - Support from Energy may be also sought as there would be a small ratepayer impact from an “as if” adder amount, and providing an additional benefit to a First Nation community as part of a private sector generation contract may be seen by some as a precedent for IESO contracts where there is First Nation participation.
    - A proposed letter seeking such support has been drafted
- As part of the briefings of OEFC Board members on the status of the discussions, direction was provided that CLFN, as an equity owner in a NUG, should continue to hold some equity risk and exposure, even if a benefit were provided as a result of the current discussions.
    - At the recent Working Group committee meeting, it was communicated that benefits, if any, would be designed to ensure that CLFN continues to bear some equity risk in the project, and that the “as if” debt forgiveness would not reflect a full debt forgiveness.
- Energy and CLFN have concluded a Transfer Payment Agreement that will provide capacity funding to CLFN in its engagement with OEFC and Brookfield.

IGB ITEMS

8. MNO

- Formal negotiations with the MNO with respect to broadening the ownership of Hydro One commenced in October 2016

- In June 2017, the Provincial negotiating team received flexibility to offer up to $25M in cash, subject to final TB / MBC approval. A cash mandate was required as MNO did not feel a loan and share purchase agreement similar to the FN transaction would provide enough immediate access to capital

- Several negotiating meetings took place and on November 17, 2017, MNO sent a letter to the Province with a proposal for $27.5M cash, exclusive of negotiation costs and requiring a commitment from the Province to establish an energy table.
- The Province has indicated a willingness to take back the offer to decision makers

- MNO has indicated that the PCMNO has agreed to the amount and they are working through governance of the investment vehicle.

- MNO has indicated that they intend to create a new investment vehicle that would hold the cash contribution, rather than use the Infinity Investment trust that is already set up. MNO would seek approval of the new structure at the Annual General Assembly in August 2018.

- MNO has asked for the Province to enter into agreements in April 2018, at which time the funds would be transferred to an escrow account to be held until closing. Closing would not occur until all conditions precedent are met (including approval of the Contribution Agreement and investment vehicle).

Next Steps

- The Ministry of Energy is working through the procurement of an Escrow Agent, and is working with MOF/TBS to secure section 28 approval as any Escrow agent will require an indemnity.

- The Ministry of Energy continues to work with MNO on a term sheet and is tentatively tracking to TB/MBC on April 10th

- Subject to TB/MBC approval in April, definitive agreements would be entered into and funds would flow to the Escrow Agent. If MNO meets all conditions precedent following its August Annual General Assembly, the funds would be released from Escrow and flow to the MNO vehicle.

OTHER CEFD ISSUES

9. Ministerial Approval of IO Borrowing By-Law and Line of Credit with the OFA

- The Minister of Infrastructure, on behalf of Infrastructure Ontario (IO), is seeking s.28 approval from the Minister of Finance to allow IO to enter into a new credit facility agreement for a $100 million revolving line of credit with the OFA, and assume any contingent liabilities contained in the lending agreement between the OFA and IO.
  - This credit facility will replace a prior revolving credit facility agreement dated June 23, 2006 for $200 million which expired on June 29, 2016.

- The Ministry of Infrastructure is also seeking approval from the Minister of Finance for IO's by-law 3V which authorizes Infrastructure Ontario to draw down its line of credit with the OFA.

- Minister of Finance approval is required this week as IO needs to have the facility in place by March 31, 2018.

10. Loans to St. Michael's Hospital (SMH) and Grand River Hospital (GRH) re: Pension Transfer to HOOPP

- SMH has approached MOHLTC and OFA re: possible loan from the OFA/Province to finance the merging of their pension plan with HOOPP. SMH does not have sufficient assets to finance the higher cost of HOOPP benefits. SMH is now proposing a merger effective date of July 1, 2019, but this date is subject to change as negotiations between SMH and HOOP are on-going.
  - The deadline for executing the Merger Agreement was extended to March 27, 2018 but may be extended to April 30, 2018 as HOOP is looking for assurance that SMH will have financing lined up to cover the pension deficit. This assurance could take one of three forms of (i) a guarantee from the Minister of Health that MOHLTC will backstop any loan from the OFA to SMH; (ii) a firm offer from a private sector lender to provide a loan for the required amount; or (iii) a firm offer from the OFA to provide a loan for the required amount.
  - Latest estimate of the loan amount is $100 million for a term of 35 years. Estimated loan amount could change again on April 3, 2018 which is the date of the next valuation of the of the pension deficit payment.
  - Financing must be in place within 120 days of the merger effective date when the asset transfer plus the final deficit payment (with interest) to HOOP will occur.
  - SMH has drafted an initial business case to support their loan request.
- In addition, Grand River Hospital (GRH) has approached the OFA about financing the merging of their pension plan with HOOP. Current estimate of loan amount is $28 million.
  - GRH has not yet provided a business case to support their loan request.
- The MOHLTC Minister intends to write a letter to the Minister of Finance requesting that the Province provide loans to SMH and GRH respectively.

- HOOP is looking for a "commitment letter" from the Province assuring them that provincial loans will be provided to these hospitals by the merger effective date.
    - OFA (with input from MoF Legal) drafted a comfort letter from the Minister of Finance to HOOP noting that the OFA is prepared to provide a loan to SMH provided that the requisite government approvals have been obtained.
    - HOOP expressed concern with the potential time required to secure government approvals.
    - HOOP noted that it would be satisfied to receive a letter signed by the Minister of Health noting that the Province was supportive of the SMH and GRH pension plan mergers and MOHLTC would backstop OFA loans made to these hospitals.
- Minister of Finance Lending Directive will be needed if these loans are to be made through the OFA.
    - FAA s.28 approval from Minister of Finance will also be required.
    - MOHLTC has been advised that it will have to backstop OFA loans to St Mike's and Grand River either through a debt service guarantee or the intercepting of provincial grants to these hospitals.

11. Ottawa Convention Centre (OCC) – Deloitte Interim Report

- As directed, the OFA advanced a loan to the OCC on September 1, 2011 for $40 million as part of the overall funding/financing of the redevelopment and expansion of the original convention centre built in 1983. The loan is for 25 years and matures on September 2, 2036.
    - Due to the OCC's financial challenges, the OFA was directed to give this loan a "payment holiday" from September 4, 2012 to September 4, 2018. When payments recommence the annual repayment amount will be $4,048,240 to September 2, 2036.
    - With accrued interest, the balance outstanding as of September 1, 2017 was $50.258 million.
    - On April 27, 2017, OCC wrote to OFA requesting a release from its debt obligations.
- Ministry of Tourism and Culture (MTCS) retained Deloitte in November 2017 to assess the current and future operations of the OCC, including its debt repayment capacity.

- In its interim report, Deloitte reviewed possible repayment options and proposed that
    - The OFA loan be fully forgiven to enable the OCC to operate as a "going concern".
    - The loan be replaced by annual "sweep" payments of available free cash flow to the Province, although there may not be free cash flow for at least 10 years.
    - This approach would be similar to the arrangement put in place in March 2003 when the Province agreed to write off the loan to the Metro Toronto Convention Centre (MTCC) in its entirety in return for MTCC committing to make annual

payments to the Province based on a percentage of its operating surplus (minimum $2.5 million).

- There are two options under consideration:
  - Option One: Fully forgive the OFA loan to OCC. Treasury Board approval would need to be sought on April 10 of a remission order whereby the Province's loan to the OFA (for on-lending to the OCC) would be fully forgiven. This would then permit the OFA to fully forgive the OCC. In return for the OFA forgiving the loan, the OCC would be required to make an annual payment to the Province starting in 2018-19. The annual payment amount would be ramped up over a period of 5 years. The remission order would be disclosed in the Public Accounts.
  - Option Two: Partially forgive the OFA loan to OCC. Through a settlement agreement, the Province would forgive a portion of its loan to the OFA (for on-lending to OCC) and the OFA in turn would forgive a portion of its loan to OCC provided that OCC agreed to make an annual payment to the Province. Treasury Board approval of the settlement agreement is not required. Instead, the normal process would be that the Minister of Finance ask the President of Treasury Board to approve the settlement and sign the settlement agreement However, under the sharing protocol, if there is concurrence between MoF and TBS, the Minister of Finance could be asked to approve the settlement and sign the settlement agreement.
  - Agreement on a proposed solution is still TBD.

From:	Usman Zahid
To:	Francisco Chinchon; John Kim; Karim Javeri
Cc:	Ronald Kwan
Subject:	MO Bi-Weekly
Date:	Tuesday, October 24, 2017 12:22:25 PM
Attachments:	Annotated Agenda MO Bi-Weekly Oct 24 2017_Markup5.docx Markup Comparison.docx

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Hi All,

Attached are some edits from Ron on the MO Bi-Weekly Agenda.

Regards,
Usman

STAFF PRESENTATION & ASSISTANCE PROGRAM RELATED ISSUES

1. Proposed Fuel Cell Policy

- Fuel Cell Policy
- Fuel Cell Policy

2. **ZECH Credit Facility**

- ZECH Credit Facility
- The existing $5.75 million facility is currently more than [redacted] million drawn
- Once the $5 million facility is fully in put in place, the $5.75 million facility is to be terminated by the CTC.

- Pursuant to the CTC Lending Policy, the CTC is required to include an intercept provision in respect of loans made by the CTC to public bodies or an unsecured loan that may be referred for intercept by the Minister of Finance (or Treasury Board or Cabinet).

- Full the requirements of the CTC's Lending Policy, the CTC has reached out to the Minister of Finance to ask that the Minister of Finance consider an intercept provision in credit facility agreements with the ZECH.

- ZECH's proposed fuel cell model nearing its end, the magnet with CTC, which has [redacted] ZECH is in discussions with [redacted] to replace the fuel cell. ZECH is required to replace its electrical thruster [redacted]

- Additional discussion points:

- In the event that the IESO decides to grant CPC-SE a priority of segments and then subsequently CPC-SE is unable to meet the CSC operating facilities with SSL, ICM, and CM, IESO would require the terms to be amended.
    - Staff have convened again to IESO staff that a Women's Dome be moved ideally to be approved as the IESO would need to make priority of segments based on CPC.

[redacted] Delivery Partnership Limited Partnership

- [redacted] Delivery Partnership Limited Partnership (the [redacted]) was a limited partnership between the [redacted] and [redacted] (collectively, the "[redacted]") formed for the purpose of entering into the [redacted] Agreement (the "[redacted]").
    - A [redacted] from the Minister of Finance to the CSC for the LTA has been signed by the Minister of Finance in July 2017.
- Under the [redacted] Limited Partnership Agreement, [redacted] loans to the [redacted] Limited Partnership.
- In order to be compliant with the GRL bundling Policy as it is currently written, either the loan agreement must include an interest provision or an exemption from the requirement to include an interest provision would be sought.
    - The inclusion of an interest provision in the [redacted] will require additional equity to be injected by the [redacted] to cover the interest payable by the Ministry of Finance to [redacted] in the form of the interest provision.
    - Alternatively, the Minister of Finance could direct the CPC on an exemption from the requirement to include an interest provision.

[redacted] Access to Information Request

- In October 2017, the CASC notified the Province that it received a request under the Freedom of Information and Protection of Privacy Act ("FIPPA") for a copy of the Judgement between the Province, as signed by the Minister of Finance, and CASC.
- The Judgement provides information regarding the current Provincial Guarantee and the Province's obligations to CASC under the Provincial Guarantee.
- By fulfilling this request, the Provincial Guarantee Agreement will be publicly released.
- The staff is working towards drafting a response to fulfil this request before the CASC's deadline of December 2, 2017, given CASC have requested a [redacted] extension to the deadline.

Next steps of the RMP, and Next Meeting

Minister of Finance has received initial budget bids or directions from the Finance Ministers of CEE, as we would provide support after a bid from the Ministry in respect of QA, deferral on their rates, and options to assist such impacts. If that is the case please let us know.

- This deal ticket has been closed out EP-wing as a staff level on Oct 12 and to date there has been no progress.

Cornerstone Lake Purchase (CLP) Closing Proposal

- On July 1, 2017, CPC announced that it had begun the sales process for the Lakeview plants.
- Cornerstone Lake has been selected and an agreement of purchase signed.
- Closing is subject to certain conditions precedent, including new shareholder agreements with CE shareholders and the purchaser to exercise dedicated pressure to keep the plants operating.
- CE anticipates to provide the fiscal stage for the Lakeview lands will be achieved if not exceeded.
- The proposed Trust closing date of March 30, 2018 has been accepted by the purchaser.

Trillium Trust Grant-plan Update

- The legislation to allow for the distribution to the Trillium Trust of designated Provincial Grant-in-Lieu payments received by the Province from the Federal Government has received Royal Assent.
- Following the distribution to the Trillium Trust, the Province/Stakeholder Inc. will be required to pay these designated proceeds into the Consolidated Revenue Fund (CRF).
- The Province of Trillium Growth (POG) staff to move forward with the payments relating to senior title work.
- Following payment, the Trillium Trust will be credited with $10BM bringing the total amounts credited to the TT to value $5.6 billion.

- Additionally, the Ministry of Energy will cover authorization deactivation and reactivation fees for the remaining 2022 cycle, as applicable, and reimburse any of the remaining banks currently relying heavily on fossil-to-bank accounts.
  - Ministry of Energy officials will cover the fees for the remaining banks.
  - GRFC staff have recommended that a small buffer of cents (about $2,500) will be held back in the Brampton Hobbs to cover potential expenses.

[redacted]

U-ENGR-ISSUES

- ~~Ag Liaison Program for E-ramp/Retrofit Projects at Colleges and Universities~~
- MAECO-MAECO received Treasury Board approval on July 19th on a $500M loan program through the CRA to finance energy retrofit projects at colleges and universities.
  - MAECO has been asked to provide a comfort letter signed by its Minister confirming the organization's eligibility to participate in the program and the interest payments. The comfort letter has been drafted as well as an MOU between MAECO and CRA outlining duties and responsibilities for these loans, which is currently under review by CRA.
- MAECO will be requesting an ITA to a 30 class exemption specific to this program as the current proposed exemption is not financially incentivized amounts set out in the current proposed exemption regulations.
  - MAETRO might have provided briefing memorandums to ecg Counsel.
  - Ministerial approval of the joint MAETRO, regulations is expected to be sought by the end of February, provided that ecg Counsel is able to complete the drafting of the regulations.

ENGINEERING – ECG approval of all grades and solid if allowed Parsons

- ~~Engineering Ag Liaison Program for E-ramp/Retrofit Projects at Colleges and Universities~~ [redacted] on an agreement-in-principle basis with Ministry of Colleges and Universities, [redacted] for an agreement-in-principle to finance [redacted] retrofit projects at [redacted] colleges and universities.
- [redacted] Treasury Board approval on [redacted] Program, at Finance approval [redacted] Treasury Board approval [redacted]
  - There is a [redacted] release planned for October 24th – FYI to stands
  - [redacted] [redacted] [redacted]

STATIC TRACTY 'A- ASSIST OPTIMIZATION REFACTED- ISSUES

1. **Government Narrative**
- GPEI's provided feedback on GEVD that in the Fort Hydro/Tran section, there needs to be more information on controls at the entry/exit point of the plant.
- Hydro Infrastructure Ltd. (HIL) has provided a response to GPEI's comments.

2. **IESO Credit Facility**
- Staff are continuing to work to finalize the IESO credit facility for $2 billion for the purposes of the Fort Hydro Project.
  - The existing $575 million facility is currently more than fully drawn down.
  - Once the $2 billion facility is facility is put in place, the $575 million facility is to be reduced to $400 million.
- Pursuant to the GOA, Canada Facility, the IESO, is required to include an intercept provision in the IESO Credit Facility for the GOA to obtain duties on an unsecured basis, unless otherwise directed by the Minister of Finance (or Treasury Board or Cabinet).
- The key requirements of the GOA, Loading Policy, the IESO, has reached out to the Ministry of Energy, and IESO is fulfill the requirements to include an intercept provision in the IESO Credit Facility. The IESO:
  - Energy staff have indicated that the ministry (ESW Board) is prepared to sign the letter agreement authorizing the intercept provision, as required under the GOA Loading Policy.
  - IESO responded that it would need to share the request with GPEI, which has sought priority of payments from the IESO to the first RAP financing entity, in order to obtain the intercept provision.
  - GPEI has responded that it is not prepared to provide the intercept provision. The IESO has indicated that it will not proceed with the IESO Credit Facility in the absence of its discussion with GPEI on this discussion.
- In the event that the IESO decides to grant GPEI, its priority of payments and first priority over assets, all existing IESO facilities (including facilities with TD, CIDI, and RBC) would be required to consent to this.
  - Staff have communicated to IESO staff that a Minister's Directive would likely be required as the IESO would need to make priority of payments based on GPEI.

5. **OLG Lottery Terminals Loan Intercept**
- The OSL is currently drafting loan agreement to provide the Ontario Lottery and Gaming Corporation (OLG) up to $65.7 million to finance the replacement and upgrade of lottery terminals in Ontario's retail network.
  - A Directive from the Minister of Finance to the OSL for the LTEs loan was issued on September 27, 2017 (see Appendix 1).

6. Under the OSL Lending Policy, the loan agreement, and all loans to the OLG, would contain an intercept provision.

7. In order to be compliant with the OSL Lending Policy, as it is currently written, either the OLG would have to provide security for the loan, or an exemption from the requirement to include an intercept provision could be sought.
- Including an intercept provision, as per the lending policy, will require additional discussions with the OLG and will require approval from Cabinet by the Ministry of Finance to agree to the terms of the intercept provision.
- Alternatively, Cabinet could grant an exemption from the OFA, on an exemption from the requirement to include an intercept provision.

8. **OMIC Access to Information Request**
- In October 2017, the CHSC notified the Province that it received a request under the Freedom of Information and Protection of Privacy Act (FIPPA) for records of negotiations between the Province, as signatory, the Minister of Finance, and Cadillac Fairview Corporation Limited, as landlord, regarding the Ontario Municipal Board (OMB) $30 billion and the CHSC's rights to call /grant the guarantee.

- By fulfilling this request, the Province/Guarantee Agreement will be publicly released.

- The MOF is working towards drafting a response to fulfill this request before the CHSC deadline of November 1, 2017, which CHSC have requested 5 months of response (FOIP in advance of that time).

9. **Impact of the PAP on Carrier Mollie**
- The OSL received a letter on October 6, 2017 from the Minister of Energy to the Minister of Finance that would provide support for a diversion from the Minister of Finance to the OSL. The letter requested that the Minister of Finance direct the OSL to request CIF, deferral, or their views and options to avoid such impacts. It does the exercise afforded to the power.
  - The OSL has not yet responded with if energy at a staff level on Oct 12 and to date there has been no response.

10. **Connaissance Lake Fire Hatchet (CLFH) Meeting Request**
- Meeting on banking between the Chief and the Cayuga is pending / TBD.
- CLFH has approached MOF/OSL seeking capacity funding for their advisor for discussions, and OSL/MOF.

- PWGSC has indicated that they are amenable to proceeding such funding mid-[redacted] [redacted] [redacted] [

c) Draft recitals

1.1. Research Program for Energy-Rich Airlift Programs at Colleges and Universities

- MASTCU-NAVSEC received Treasury Board approval on July 15th of a $300M loan guarantee through the CRA to finance energy-rich airlift projects at colleges and universities.
  - MASTCU has been asked to provide a comfort letter signed by its Minister confirming the government's support for the project and its intention to honour interest payments. The comfort letter has been drafted as well as an MOU between MASTCU and CRA outlining duties and responsibilities for these loans, which will be signed by both parties.
- MASTCU will be requesting an FAA a 2B class exemption specific to this program as the current proposed airlift capacity drastically exceeds amounts set out in the current proposed exemption regulations.
  - MoST/TBS might have provided briefing memorandums to Ing Cosmet.
  - Ministerial approval of the joint MoST/TBS regulations is expected to be sought by the end of October, provided that Ing Cosmet is able to complete the reading of the regulations.

1.1. DRAFT – $1M Approval of Agreement with Fulcanmet Partners

- $1M approval of agreement with Fulcanmet Partners to provide non-repayable funds to support facilities, production and operational costs in pursuit of aircraft or structure-to-earth, movement and delivery of an agricultural product or commodity, and/or research and development in preparation of mechanical clothing materials for Y-season.
  - MPA has requested Minister of Fiscal to approve by October 23rd when DCCC-NAVSEC will be ready to sign the agreement with Fulcanmet Partners.
  - There is a press release planned for October 24th – FCA to assist.
  - The official mutual package was only signed by the Minister of MNS on Monday afternoon.

From:	Gavin He
To:	Ronald Kwan
Cc:	Angie Georgakakos
Subject:	MO Bi-weekly Agenda
Date:	Friday, June 23, 2017 11:20:08 PM
Attachments:	Annotated Agenda MO June 26 2017 CEFD_v1.docx

Hi Ron,

Please find attached the MO bi-weekly agenda for your review.

Regards,
Gavin He

ANNOTATED AGENDA
MO UPDATE: June 26, 2017

1. IESO Credit Facility – FHP Requirements

- The OIC has been signed off by the Minister.
- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
- Approvals package is being prepared for Minister.

2. Section 28 Approval for Indemnities

- Ministry of Energy staff are putting together a s.28 request package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO with respect to their respective roles in carrying out the implementation of the Ontario Fair Hydro Plan.
    - The indemnities are expected to provide coverage for both organizations and their respective Board members, officers and employees involved in implementing the plan.
    - IESO and OPG have stated that these indemnities are required for their participation in the implementation of the OFHP Act.
    - In order for the OFHP Act to be successful, the draft materials, under review by MOF Legal and CEFD staff, indicate that it is recommended by the Minister of Energy that the Minister of Finance approve this request.
- As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.
    - Draft materials from Energy state that the likelihood of this indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
    - Energy has confirmed in its draft request letter that it bears responsibility for funding, within its approved allocation, for payments associated with the indemnities provided under the Agreements.
- CEFD and MoF Legal are coordinating the approvals package including a note and analysis on the request.

3. IESO Treasury Policy for Approval

- As prescribed under Ontario Regulation 280/14 under the Electricity Act, 1998, the IESO has submitted an updated IESO Treasury Policy for the Minister of Finance's approval.
- The revised Treasury Policy incorporates the following two changes:
    - Permit borrowings to ensure funding of any amounts resulting from or required under the Ontario Fair Hydro Plan Act, 2017. This change is a result of the recent passing of the OFHP Act.

- Increase counterparty exposure to Schedule A Canadian Banks from the current $420million to $500 million, an increase of $80 million exposure per counterparty. This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage increased levels of cash flows and seek appropriate short-term investments.

- The changes proposed would permit IESO borrowing facilities to be used to ensure funding of any amounts resulting from or required under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act").
- No fiscal costs to the government are anticipated from the approval of the proposed updated policy as the IESO will continue its operations and cost recovery under the OFHP Act and from the Ontario Energy Board.
- A package is being prepared for the Minister's approval.

4. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as it believes a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
- Staff are considering a suspension agreement under which it is clear that
  - Northland cannot exercise a provision under the PPA to request an extension, subject to terms and conditions to be negotiated, and that the PPA comes to an end at the end of the initial term.
  - While OEFC would be responsible for calculating the escalation indices correctly, it does not accept liability for making payments related to adjustments under the IESO contract resulting from revisions to the escalation indices, as recourse for Northland should there be a revision to the indices is already present in IESO's proposed long-term curtailment agreement.

5. Fair Hydro Plan – NUG Impact

- The Fair Hydro Plan (FHP) will defer the amounts charged to electricity consumers, resulting in a reduced amount of GA costs passed on to consumers in the initial period of the FHP. Rates under some non-utility generator (NUG) contracts escalate on the basis of Total Market Cost (TMC) indices which reflect amounts charged to electricity consumers.
  - As such, OEFC would have to exclude from the TMC indices calculations the impact of deferred GA costs in order to not have an impact on NUGs.
  - OEFC would require direction from the Minister, supported by a request from the Minister of Energy, in order to change the way the indices are currently

calculated -- to include the deferred GA costs when these costs are incurred (and exclude financing costs), rather than when they are ultimately recovered from ratepayers.

- While deferred costs will eventually be recovered from ratepayers and reflected in the indices, some NUG have PPAs that will expire before the recovery phase of the FHP and would be negatively impacted by the cost deferral under the plan.
    - For one PPA, indexation begins later, and would benefit from the deferred cost recovery, with financing cost included in the escalation.
    - For PPAs extending across most or all of the FHP period, on a present value basis, they would likely prefer the indices calculation continue to include the portion of GA costs that is deferred.
- Staff are currently initiating discussions with Energy on this matter to request whether the Minister of Energy would provide policy support for revising the calculation of the PPA price indices and also to ensure that the information necessary to calculate the affected indices will be made available.

6. Constance Lake Meeting Request

- ENERGY has recently reached an agreement with Constance Lake First Nation (CLFN) that will provide the First Nation with a Hydrology Adjustment payment in respect of generation from the Nagagami facility (holder of a NUG contract).
    - In order to facilitate further economic benefit to CLFN, the Minister of Energy, in a letter to the Minister of Finance, has suggested that discussions take place between CLFN, Brookfield and OEFC regarding refinancing of Generator Debt that Nagagami owes to OEFC. Note that refinancing the generator debt would likely primarily benefit Brookfield, as CLFN is a minority partner in the Nagagami NUG, unless there were a side agreement between the partners.
    - CLFN has also sent a request to the Minister of Finance, which may suggest broader discussions than the generator debt, to initiate discussions and to enter into a framework agreement similar to what was entered into with Ministry of Indigenous Relations and Reconciliation (MIRR) and ENERGY.
    - In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which included as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.
- OEFC cannot enter into a framework agreement without a direction from the Minister of Finance. Independently taking such an action would be outside OEFC's mandate.
    - OEFC is mandated with managing NUG contracts until their conclusion. OEFC cannot enter into new agreements outside the PPAs.
- Based on the request in the letter, staff will set up a meeting with CLFN, Brookfield and staff for OEFC to provide Brookfield and CLFN an opportunity to provide any relevant information and for staff for OEFC to request further information required to understand and assess Brookfield and CLFN's position.

- OEFC does have a longstanding policy under which it may provide assistance to NUGs if they are able to support a claim of financial duress.

- ENERGY staff have noted that, at a policy level, there is no intended outcome of these discussions and that the request was simply a courtesy to connect the community with relevant representatives at OEFC/MOF.
- In response to the letter from CLFN to the Minister, staff for OEFC have proposed a response, copying the Minister of Energy.

7. MNO Solar Inc. ALGP Application

- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate name-plate capacity of about 13 MW. All sites have reached commercial operation.
- In July 2016, MNO Solar Inc. received a conditional offer of a loan guarantee under the ALGP for approximately $6.5 million. MNO accepted the conditional offer in August 2016.
- Staff are discussing whether the current form of various project documents are acceptable with MoF legal staff so as to advance the guarantee approval.
- Staff will then work with MoF legal staff to get the guarantee and inter-creditor agreement applicable to the guaranteed loan finalized.
- Staff continue to work diligently to advance the file but have only received comments back from the Applicant's counsel last week to a request that had been made a number of months prior.

8. Cochrane Solar Project Update

- The Cochrane Solar Project (CSP) is solar project with a nameplate capacity of 40 MW. All sites that are part of the project have been operational since the latter half of 2015. An ALPG application for a $28.7 million loan guarantee was submitted in relation to this project early in 2015. The Applicant purchased its equity interest in October 2015.
- In early 2017 ALGP staff became aware that the CSP is only performing at 75% of forecast for the twenty two months ended April 2017. The underperformance is attributable to snow accumulation on the panels.
- The Applicant is currently unsure whether the project partner’s energy forecasts are supportable.
- Both the Applicant and staff are waiting for further communication from the project partner to confirm both the level of production and the level of curtailed production for April and May 2017 and greater detail as to how the projects can achieve forecasted winter output.
- At the moment both the Applicant and staff are unsure that the existing winter output forecast in particular is realistic.
- Staff have proposed the possibility that an initial guarantee well below the amount of the application (approximately 50%) with a follow on amount once they are able to

achieve forecasted winter output levels might be considered. The current level of information from the project partner/operator is insufficient so as to make a determination as to whether such a concept can be supported.

- Staff were advised by the project partner that further information would have been delivered last week from the project partner, but that has not yet occurred.

9. Other Applicants to the ALGP

- Staff are continuing to work on ALGP applications for three wind electricity generating projects as follows:
    - the 300 MW Henvey Inlet Wind project which is requesting a late September close of the guarantee so as to support construction period borrowing. While MoF legal have now reviewed partnership agreements, receipt of further documentation and wind data is required to move due diligence efforts forward;
    - the 100 MW Belle River Wind project. Due diligence is under way, but the raw wind data is required to initiate an independent energy study and that information has not yet arrived.
    - the 100 MW North Kent Wind project which is understood to mirror the Belle River project in most respects but sufficient documentation has not yet been received to initiate the ALGP due diligence process.
- Staff also are continuing their due diligence on the Wataynikaneyap transmission project.

10. Ontario Nuclear Funds Agreement (ONFA) Technical Amendment

- CEFD staff have been working with MOF Legal on drafting a technical amendment to the ONFA to include the Bruce Power Radioactive Waste Operations Site 1 (RWOS1) and the Bruce Power Central Maintenance and Laundry Facility (CMLF).
    - The amendment would allow for costs associated with these facilities to be included in the ONFA cost estimates, following direction from the Canadian Nuclear Safety Commission (CNSC) to include these cost estimates as part of the Province's financial guarantee.
    - Cost estimates for these two facilities are small relative to the total nuclear liability estimate, and therefore would not have a significant impact on OPG's nuclear rates.
    - Amendments to the ONFA require approval from the Minister of Finance.
- The draft amendment would also allow for additional costs the CNSC might obligate for financial requirement, to be added to the ONFA in the future, if approved by the Province.

- This change would streamline the approval process in the future as the addition of facilities to the ONFA would not require a full technical amendment, while still ensuring that the Province would have rights of approval.

- A final execution copy of the amendment was provided by MOF Legal to OPG for sign off on June 15th.

- CEFD staff recommend that the Minister approve the technical amendment. Staff are preparing a briefing package to seek the Minister's approval.

11. Ontario Clean Water Agency (OCWA) Request for Approval of a Borrowing By-Law 21 and Approval under s. 28 of the *Financial Administration Act (FAA).*

- OCWA is requesting approval to enter into a corporate credit card agreement with the Bank of Montreal (BMO) for general business purposes.

  - The agreement would allow OCWA to borrow from BMO up to $400,000 for a credit card facility to allow eligible OCWA employees to incur expenses as part of their regular duties.

  - The agreement would be effective until August 31, 2020, with an option to renew for two (2) additional terms of one (1) year each.

- The request requires the approval of a borrowing By-law 21 as per Section 6(3) of the *Capital Investment Plan Act, 1993* (CIPA), and approval under s. 28(1) of the FAA.

  - Under Section 6(3) of the CIPA, OCWA's borrowing by-laws must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance. The Minister of the Environment and Climate Change has approved By-law 21.

- Since the Minister of Finance is screened from issues involving Canadian chartered banks, an approval package is being drafted to be brought to the President of the Treasury Board for consideration.

  - Order in Council 407/2017 allows the President of the Treasury Board to exercise the Minister of Finance's powers when the Minister of Finance is unable to do so.

12. OPG Lakeview Lands Sale Process

- The Lakeview lands are comprised of approximately 177 acres and are part of the larger 245 acre Inspiration Lakeview Master Plan area.

- OPG will require, as a condition of sale, that approximately 67 acres of "Municipal lands" (Cultural Hub, Serson Campus, Waterfront Park lands, water lots) are remediated, severed, and conveyed by the purchaser to the City of Mississauga to be used as a public amenity.

- On June 9, 2016, the Minister of Energy issued a shareholder Declaration and Resolution to OPG's Board (publicly posted) to enable the transaction and payment of net proceeds to the Province.

- On June 6, 2017, OPG announced that it had begun the sales process. The lands will be marketed by broker Jones Lang LaSalle, with Infrastructure Ontario (IO) as advisor, through a two-stage competitive process open to pre-qualified bidders.

    - IO anticipates selecting a preferred purchaser by September 2017, with negotiations and closing diligence to follow.

    - According to IO, OPG is operating under an assumption that the Province would like the sale to close by the last quarter of calendar year 2017. Qs & As prepared when the sale process was announced indicated a winter 2018 closing for the transaction, but timing for transaction close has not otherwise been committed or publicly communicated.

- Prior to entering into binding agreements, a report-back to Treasury Board is required, as per the 2015 Minute.

OTHER ISSUES

13. Stelco Transaction

- Briefing of Minister of Finance planned for June 26, 2017. Transaction close date will be June 30, 2017

- Minister of Finance approval will be required for three MoF loans, contingent liabilities contained in pension-related administrative contracts that will be assumed by FSCO, contractual release to Stelco and the land vehicle for certain legacy environmental liabilities, indemnification of directors and officers of US Steel and Stelco, and Indemnification of U.S. Steel and United States Steel and Carnegie Pension Fund in respect of third party claims, for all liabilities and claims related to Stelco's operations, including historical environmental and pension liabilities.

14. College Class Exemption Regulation

- MAESD Minister has sent a request to the Minister of Finance for a limited college class exemption regulation under existing FAA s.28 based on materiality thresholds, as an interim measure.

- It is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not).

15. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.

- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.

- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

16. OFA Annual Lending Directive

- The Minister of Finance will be receiving in early July a request from the OFA to approve, pursuant to the *Capital Investment Plan Act (CIPA)*, the OFA's 2017-18 Annual Lending Directive which directs the OFA to lend up to $639.5 million to public bodies and to charge and retain an interest rate spread of up to 77.5 basis points above the Province's cost of funds.

- The Annual Lending Directive sets out the maximum authorized amount of the loans to individual borrowers or the maximum amount of all the loans to a group of borrowers, such as colleges or universities, and where possible, the borrower's name and the specific purpose(s) for which the loans are required, with the other terms and conditions of the loans subject to determination by the CEO of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them for approval.

From: Gavin He
To: Ronald Kwan
Subject: MO Bi-weekly Agenda
Date: Friday, February 17, 2017 6:06:48 PM
Attachments: Annotated Agenda MO Feb 21 2017_CEFD.docx

Hi Ron,

Please find attached the draft agenda for the next MO bi-weekly meeting. Please note that there are some legal issue with the Trillium Trust item, so SIFB won't have any update on for next week's meeting.

Regards,
Gavin He

ANNOTATED AGENDA
MO UPDATE: February 21, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Electricity Price Mitigation: Debt-Financing Global Adjustment and Delivery Charge

The Ministry of Energy (ENERGY) is continuing to work on electricity price mitigation options to enhance these existing measures or introducing new measures, including options to defer the pass-through to ratepayers of some generation supply costs by partially debt financing the cost of the global adjustment (GA) to pay the generators their contracted or regulated payments.

The options generally involve reducing current cost pass-through to consumers and deferring part of the costs for longer-term future recovery from consumers, which have the largest impacts on rates and largest potential fiscal exposures compared to other options.

- Based on Energy's illustrative charts, relief would last to about 2028 / 2030, with higher percentage relief in the early years, and the higher cost caused by the deferral would subsequently hit electricity bills of future ratepayers until 2042 or 2047 in 25 or 30 year "amortisation" scenarios.
- There have been discussions between CEFD, OPCD, IESO, KPMG, and Energy staff on material challenges – accounting considerations and fiscal exposure and reporting risks associated with the GA deferral proposal.
- Energy also provided analysis on a distribution rate relief proposal.
    - The proposal suggests a temporary initiative, to effective accelerate the introduction of fixed distribution delivery charges that would allow a cap per month on residential customers' delivery charges.
- CEFD staff continue to review and analyze materials from Energy and update the internal notes as appropriate.

2. Global Adjustment Lawsuit Follow-ups

- OEFC has received the costs statements from legal counsel for the Applicant NUGs. The courts awarded costs to the Applicant NUGs, which are to be paid by OEFC.

- Other follow-ups include the Standstill NUGs and how to treat the NUGs with similar contract clauses that were neither Applicant NUGs nor Standstill NUGs.
    - There are several NUGs not involved in the lawsuit which have PPAs that contain similar terms and price provisions as those that were under consideration by the courts. As OEFC's application for leave to appeal was unsuccessful, OEFC may also have to address payments under these PPAs.
    - Following the March 2015 court decision, certain NUGs entered into standstill agreements with OEFC to preserve their legal rights.
    - One issue is how to apply the two-year legal limitation period.

- OEFC has not made a determination as to whether NUGs with standstill agreements would receive retroactive payments beyond the two year limitation period.
- The OEFC Board will be reviewing this matter at the February 23, 2017 Board meeting

- As OEFC recovers the full cost of contracts through the Global Adjustment, including legal costs, there is no impact expected on the stranded debt. This recovery is done through the monthly settlement process of the IESO.

3. Constance Lake First Nation

- Constance Lake First Nation (Constance Lake) have brought forward a NUG-related issue to the grievance table with the Ministry of Energy (Energy) and Ministry of Indigenous Relations and Reconciliation (MIRR).
  - Constance Lake First Nation, along with Brookfield, are owners of the 15 MW Nagagami hydro project. Nagagami has a non-utility generator (NUG) contract with Ontario Electricity Financial Corporation (OEFC).

- In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which includes as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.
  - The Nagagami project has performed poorly and has not provided significant returns to Constance Lake.
  - Due to the facility's poor performance, the project has accumulated approximately $50 million in debt owed to OEFC.

- On February 15, 2017, ENERGY met with OEFC and IESO staff to discuss options for re-contracting the facility to allow ENERGY to take steps towards enhancing the PPA to the benefit of Constance Lake, including OEFC assigning the PPA to IESO and receiving payment, possibly from the IESO, for the outstanding generator debt.
  - The Minister of Energy may request that the OEFC transfer the PPA to IESO.
  - IESO is currently determining whether or not this option is feasible and the mechanisms through which they can re-contract with the IESO and take on the debt associated with the PPA.
  - IESO may seek to use its credit facility with OFA to finance the debt.

4. ALGP: Coral Rapids Conditional Offer Package

- Coral Rapids Power Corporation ("CRP"), wholly-owned by Taykwa Tagamou Nation ("TTN"), is seeking a loan guarantee under the ALGP of about $18.2 million. This loan would allow CRP to finance its investment in a partnership which was formed to own and operate the 28 MW Peter Sutherland Sr. Generating Station at a lower interest rate than the alternative (a loan from its partner).
- The conditional offer letter was approved and an OIC was obtained at the December 13, 2016 LRC meeting.
  - This application involves the interests of a Schedule 1 bank.

- Due diligence and negotiation of legal/loan documents are ongoing. The current target closing date is March 8. As key documents are expected to be finalized within the next few weeks, staff have requested a briefing for approval the first week of March to meet the targeted closing date and execute the final loan guarantee agreement.

OTHER ISSUES

5. FAA Section 28

Sharing Protocol.

- Both the Minister of Finance and the President of Treasury Board have approved the sharing protocol.
- OFA has drafted a memo to be signed jointly by DM MoF and DM TBS which is being reviewed by ADM and CEO.

Potential Spring Bill Amendments

- An OFA/MOF/TBS working group is reviewing options for modernizing s.28 of the FAA, for possible inclusion in a 2017 Spring bill.

Class Exemptions

- Regulation drafted for college class exemption is being updated following comments from OFA and MAESD.
- The draft regulation would exempt certain types of transactions and transactions above certain percentage thresholds from requiring s. 28 approval.
- Exempt transactions would still be subject to ministry oversight and colleges' due diligence, reporting and attestations to MAESD (to be spelled out in a binding policy directive prepared by MAESD).
- Regulation for OLG/LCBO class exemption to be drafted by RAOD in early 2017 along with a financial directive.

6. Highway 427 Expansion AFP Project – S. 28 approval

- MTO has submitted a formal s. 28 approval request along with the draft project agreement and other supporting documents seeking the Minister's approval by March 3rd.
- A briefing package is being prepared by OFA staff.
- Commercial close is now scheduled for March 7th while financial close is scheduled for March 10th.

7. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

From: Usman Zahid
To: Ronald Kwan
Subject: MO Bi-weekly Agenda
Date: Monday, September 25, 2017 11:20:30 AM
Attachments: MO Bi-Weekly Sept 27 2017 CEFD.docx

Hi Ron,

Attached is the proposed MO bi-weekly meeting agenda for the Wednesday, September 27, 2017 meeting.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: September 12, 2017

1. IESO Credit Facility

- Staff are working to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $600 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $497 million.

- 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].
- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - Originally, staff had recommended the Minister sign a directive but instead are pursuing putting in place the intercept provision as required under the OFA's Lending Policy.
    - Staff are waiting for comments from Energy and IESO and potentially anticipate an outreach from Energy at various levels.

2. Ontario Nuclear Funds Agreement (ONFA) Technical Amendment and CNSC public hearing

- As indicated at the time of the post-ONFA Reference Plan approvals in 2016-17, CEFD staff have worked with MOF Legal on drafting a technical amendment to ONFA to include the Bruce Power Radioactive Waste Operations Site 1 (RWOS1) and the Bruce Power Central Maintenance and Laundry Facility (CMLF).
    - The amendment would allow for costs associated with these facilities to be included in the ONFA cost estimates, following direction from the Canadian Nuclear Safety Commission (CNSC) to include these cost estimates as part of the calculation of and inclusion in the Province's guarantee to the CNSC, if required.
    - The Provincial Guarantee to the CNSC has historically been calculated as OPG's financial guarantee requirement, less the value of OPG's nuclear funds (excluding amounts due to the Province).
    - Cost estimates for these two facilities are very small relative to the total nuclear liability estimate (PV$ 12M or C$44M), and, therefore, would not have a significant impact on OPG's nuclear rates.
    - Amendments to ONFA require approval from the Minister of Finance.

- The draft amendment would also allow for additional costs related to licensed facilities the CNSC might obligate OPG to include in its financial guarantee requirement to the CNSC, to be added to ONFA in the future, if approved by the Province.
    - This change would streamline the approval process in the future as the addition of facilities to the ONFA would not require a full technical amendment, while still ensuring that the Province would have rights of approval.

- A final execution copy of the amendment was provided by MOF Legal to OPG for sign off on June 15th.

- CEFD staff recommends that the Minister approves the technical amendment as soon as possible, preferably prior to the CNSC hearing on October 11.

- CEFD staff is also available to brief the Minister on what will be discussed by OPG and the CNSC at the public hearing as well as on the responses Provincial staff suggest using to questions the Province may receive from the panel members.

3. Constance Lake First Nation (CLFN) Meeting Request

- On July 26, 2017, the Chief of CLFN again wrote to the Minister of Finance requesting a meeting with the Minister or Deputy Minister to discuss the parameters of the proposed discussion with OEFC.
- After consulting with MIRR and ENERGY, staff proposed that the Minister or Deputy accept a future meeting with the Chief of CLFN and staff can provide speaking points for such a meeting.
- Staff understand that a response letter has been sent to the Chief of CLFN proposing a meeting with the Deputy Minister. Staff will follow-up with DMO regarding scheduling a meeting between the Deputy Minister and the Chief of CLFN.

4. Wataynikaneyap Power L.P – Federal Contribution

- Wataynikaneyap Power LP is planning to develop and operate electrical transmission and distribution lines in northwestern Ontario (the "Project"). The Project will be financed with equity, senior debt and, as proposed by Energy, a Provincial loan to be supported by a possible contribution from the federal government. This financing structure and potential federal contribution is currently under discussion between the provincial and federal governments.
- On September 18, Energy presented to PO and CO its proposal for a Provincial loan to the Project. Staff from OFA and TBS attended this meeting.
- The proposed structure would entail that limited recourse debt to the Project, e.g., $1.5 billion, assuming a $1.9 billion project cost. The Provincial loan would be serviced and repaid by annual federal contributions.
    - Energy requested a negotiating mandate that would allow flexibility to the negotiator to set the repayment terms of a loan (e.g. 40-year vs.10-year payment, fixed or escalating).

- This loan to the Project would be subordinated to senior debt and only secured with a first charge assignment of the payments to be made by Canada to the Project.
- If the federal government ceases payments, Energy proposes that Watay could apply for cost recovery from ratepayers.
- Although the proposed structure would reduce the cost of the Project to ratepayers, depending on the structure of the loan, there may be a significant fiscal risk to the Province as the federal government contributions would be subject to annual appropriations, resulting in the need for an upfront provision to be taken.
  - OPCD would evaluate a requirement to record a provision against the loan based on an assessment of default would be required based on the estimated recoverable value.

- The First Nation proponents in the Project have submitted an application to the Aboriginal Loan Guarantee Program (ALGP) to support its planned equity investment.
  - The applicant's current loan guarantee request is $300 million, based on an earlier capital cost estimate of about $1.5 billion and no federal contribution.
  - A Treasury Board submission is being prepared to enable the ALGP to provide the requested amount. The submission would seek an exemption from typical ALGP parameters ($50 M maximum, and up to 75% of the equity) regarding the Project to meet the request. In addition, based on the initial $300 million request, a conditional increase to the program envelope by $200 million would also be requested to accommodate the Wataynikaneyap Transmission Project.
  - The estimated required amounts could be significantly affected by the outcome of the discussions with the federal government.

OTHER ISSUES

5. OCGC S.28 Approval of Indemnities in Sidense Sales Agreement

- OCGC has advised that it requires the Minister of Finance's s.28 approval to provide certain indemnities in regard to the sale of its equity interest in Sidense.
  - In the sales agreement, OCGC is required to provide Ownership and Authority Representations and to indemnify the Purchaser if those representations are inaccurate.
  - Without s.28 approval, OCGC will not be able to execute the agreement and monetize its investment in Sidense ($7.7 million).
- OCGC is working with staff at MRIS on the s.28 approval request package to be signed by their Minister.
- OCGC advised that the target date for signing the agreement is planned for September 25th with financial close on September 29th. Apparently the timeline is being driven by the purchaser (a US public company) who would like to disclose the purchase in its financial statements for this quarter.
- OCGC staff that s.28 approval by Monday is not feasible given that MRIS has not signed off on the s.28 approval package, OFA and MoF Legal staff need time to

review the documentation and both the Minister and DM are out of the office until Thursday.

6. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
    - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

From: Gavin He
To: Ronald Kwan
Subject: MO Bi-weekly agenda
Date: Thursday, January 19, 2017 6:28:12 PM
Attachments: Annotated Agenda MO Jan 23 2017.docx

Hi Ron,

Please find attached the proposed MO bi-weekly agenda for your review.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, January 17, 2017 10:41 AM
To: John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly agenda

Hi all,

Ron will be having his next MO bi-weekly meeting on Monday, January 23rd, 2017. To help him prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, January 19th, 2017**?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MO UPDATE: January 23, 2017

1. Global Adjustment lawsuit

- On January 19, 2017, the Supreme Court of Canada dismissed OEFC's application seeking leave to appeal the Ontario Court of Appeal decision on OEFC's compliance with the payment provisions of 12 Power Purchase Agreements.

    - On April 19, 2016 the Ontario Court of Appeal dismissed OEFC's appeal of a March 12, 2015 lower court decision.
    - On March 12, 2015 the Ontario Superior Court of Justice determined that OEFC has incorrectly calculated payment provisions of 12 Power Purchase Agreements.

- While OEFC's position has consistently been that it has administered these power purchase agreements in a manner that it believes has been correct, OEFC has been complying with the decision and orders of the lower courts, and no further avenues of appeal are available.

    - Since there already had been the March 12, 2015, Ontario Superior Court judgment against OEFC, it had been required to make retroactive payments of approximately $180 million in the fall of 2016 to the applicant non-utility generators (NUGs) for electricity delivered during the period from January 2011 to January 2015 that predates the Ontario Superior Court decision.
    - As well, for electricity delivered from February 2015 onwards, the applicant NUGs have been paid at rates determined in accordance with the Ontario Superior Court decision. Therefore, the Supreme Court decision requires no further changes to the manner in which OEFC determines the payments to the applicant NUGs.

- There are several NUGs not involved in the lawsuit which have PPAs that contain similar terms and price provisions as those that were under consideration by the courts. As OEFC's application for leave to appeal was unsuccessful, OEFC may also have to address payments under these PPAs.

    - Some additional payments would also be required due to an Ancillary Agreement OEFC entered into with an applicant NUG.

- As OEFC recovers the full cost of contracts through the Global Adjustment, there is no impact expected on the stranded debt. This recovery is done through the monthly settlement process of the Independent Electricity System Operator (IESO).

- In January 2013, notices of application commencing legal proceedings were served on OEFC in relation to 12 NUG contracts that have rate escalation based on a Total Market Cost (TMC) index.

- TMC is defined in NUG contracts to be the cost of electricity delivered on a 100 per cent load firm basis to a wholesale market participant loan customer. TMC includes Hourly Ontario Energy Price (HOEP), Wholesale Market Service Charges, Transmission Service Charges, the Debt Retirement Charge and the Global Adjustment.
- A regulation change effective January 1, 2011, changed the allocation of the Global Adjustment between large industrial and other electricity consumers.
- As a result of the change in the GA allocation, the TMC index is lower, which reduced the contract price escalation for NUG power purchase agreements (PPAs) using this index.

2. Trillium Trust

- CEFD staff have been working with MOF Legal on the drafting of a regulation under the Trillium Trust Act to credit the Trillium Trust with the net proceeds from the secondary offering of Hydro One shares.

- As part of this regulation, staff are proposing to include language that would allow the Province to credit, over time, the Trillium Trust with the net revenue gains related to the Hydro One shares purchased by the Power Workers' Union (PWU) and Society of Energy Professionals (the "Society") as part of the IPO using Provincial loans, as well as the Hydro One shares purchased by OPG as part of the secondary offering.

- Staff are working closely with MOF Legal and Legislative Counsel to establish language for the regulation that will allow for on-going, future crediting of the Trillium Trust as the gains are realized as opposed to introducing a new regulation to credit the Trust each year as preferred by Legislative Counsel.

3. Hydro One Brampton

- The sale of Hydro One Brampton to Powerstream, Enersource, and Horizon Utilities (MergeCo) is tracking to close at the end of February.

- Staff are working with Torys and Hydro One Brampton on the final steps required to facilitate the transaction.

    - The key steps include swapping Hydro One Brampton debt for equity to sell the company debt free as per the agreement with MergeCo and the payment of a dividend to the Province prior to the sale to bring the enterprise value close to the agreed purchase price of $607 M.

- Based on a revised financial outlook provided by Hydro One Brampton, the sale would provide an estimated ~$160 M fiscal benefit to the Province (~$80 M gain on sale and ~$80 M in PILs).

- This is subject to change as Hydro One Brampton refines its information. Staff have also connected with OPCD to finalize the accounting treatment under a sale.

4. Debt-Financing Global Adjustment

The Ministry of Energy (ENERGY) has provided a presentation on an electricity price mitigation options to defer the pass-through to ratepayers of some generation supply costs by partially financing the cost of the global adjustment (GA) and incurring debt to pay the generators their contracted or regulated payments.

The options generally involve reducing current costs and deferring part of the costs into long-term. The presentation analyzes the system cost and ratepayer impacts of the options, but does not address the fiscal impact/accounting treatment, or implementation.

- It should be noted that under any of these options the relief period is quite limited when compare to the period under where future ratepayers will have to pay the cost of the deferral. Based on some of the illustrative charts, the impact of the relief would not last beyond 2022 and 2024, and the higher cost caused by the deferral would hit electricity bills until 2042 at the least.
- Preliminary discussions between us and OPCD staff suggest that there are material fiscal and reporting risk associated with this proposal.

5. FAA Section 28 Sharing Protocol

- Minister of Finance approved the protocol on January 9
- President of Treasury Board approval is still pending
- Sharing protocol will be shared with all DMs via a joint memo from DM MoF and DM TBS
- An OFA/MOF/TBS working group is reviewing options for modernizing s.28 of the FAA, for possible inclusion in the 2017 Budget bill.
- Regulation has been drafted for college class exemption and is being reviewed by MAESD. The regulation would exempt transactions above certain percentage thresholds from requiring s. 28 approval. Exempt transactions would still be subject to ministry oversight (to be spelled out in a binding policy directive prepared by MAESD).
- Regulation for OLG/LCBO class exemption to be drafted by RAOD in early 2017 along with a financial directive.

6. Ontario Climate Change Solutions Deployment Corporation (OCCSDC)

- OFA staff to meet with MOECC representatives on Jan 23rd to discuss how key roles and responsibilities could be shared by the OCCSDC and the OFA. Key information on the OFA/agency relationship will be included in MOECC's report back to TB on the final regulation setting up this agency as well as the accountability framework and some details on programs offerings.

- The purpose of the agency is to accelerate the deployment of greenhouse gas reducing technologies, through services, offering grants and rebates and using financing tools to ensure Ontario residents and businesses can access low-interest financing for these technologies.

7. Highway 427 Expansion AFP Project – S. 28 approval

- OFA has received Project Agreement drafts from IO Legal to start section 28 approval process
- MTO has yet to provide formal request along with other supporting documents
- Kick-off meeting with OFA, MTO, IO and MOF Legal to be scheduled for next week.
- Commercial close is scheduled for February 28 while financial close is scheduled for March 3.

8. MAESD as Guarantor for UOIT's $220M Debenture

- MAESD is contemplating replacing Durham College as guarantor of UOIT's debenture.
- The ministry agrees with the college that the guarantor covenants are too restrictive for the college to manage its capital needs.
- CFB staff have informed MAESD staff what steps would be required in order for MAESD to take on the guarantor role so that senior management at MAESD can make an informed decision.
- It would not be appropriate for MAESD to simply take on the guarantor role for Durham College, as the covenants written in the case of the college as guarantor would not be appropriate in the case of the Province, e.g., restrictions on disposition of assets and cross-default provisions.
- OFA briefing note has been shared with DMO and TBS.
- OFA could not estimate the cost of re-writing the debenture issue (vs. seeking approval of debenture holders to re-purpose certain buildings). MAESD to look into the cost of issuing the debenture in 2004.
- MAESD will brief their senior management about whether to proceed to TB with submission.

9. Outlook Forecast/OPG Business Plan

- CEFD received the draft OPG 2017-19 Business Plan from the Ministry of Energy and has drafted a list of proposed questions to OPG.

From: Usman Zahid
To: Ronald Kwan
Subject: Mo Bi-Weekly Agenda
Date: Monday, October 23, 2017 11:24:58 AM
Attachments: Annotated Agenda MO Bi-Weekly Oct 24 2017.docx

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly.

Karim has said that they do not have any significant updates, but they have updated language where appropriate. Not sure if you want to update MO again.

Additionally John has included language on the Hydro One OEB rate decision. As MO was updated on this during the last meeting, not sure if you would want to update again.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: October 24, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. IESO Credit Facility

- Staff are continuing to work to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $600 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $495 million.

- 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).

- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - IESO responded that it would need to share the request with OPG, which has sought priority of payments from the IESO for the FHP financing entity, in order to support its external financing.
    - While staff do not believe IESO currently has amounts appropriated for it from the Legislature, the IESO has also raised the question of treatment of funds it anticipates receiving in the future from the Green ON Fund (GGRA amounts). This new funding and OPG seeking priority of payment may have an impact on the OFA seeking an intercept provision as part of the credit facility to the IESO.

- The delay is large part due to the ongoing negotiation between OPG and the IESO on the terms of a service agreement outlining how the relationship would be governed and the purchase by OPG Financing Entity (FE) of the regulatory assets.
    - In order to achieve the highest credit quality possible, OPG FE would naturally want more security from the IESO and the IESO would also naturally be reluctant.
    - The dynamic leads to a protracted negotiation and the end result is that without a conclusion to the process, the IESO would have a difficult time concluding its position on the intercept provision.
    - Energy is prepared to sign the letter agreement authorizing the intercept provision, as required under the OFA Lending Policy.

- In the event that the IESO decides to grant OPG FE a priority of payments and first priority over assets, all existing IESO facilities [including facilities with TD, OFA and OEFC] would require the terms to be amended.

- Staff have communicated to IESO staff that a Minister's Directive would likely be required as the OFA would need to cede priority of payments/assets to OPG.

- As a refresher on the intents behind the two OFA credit facilities:
  - The existing $975M facility – the existing facility will serve the purpose of continued implementation of the market support function for the IESO through the $475 million facility (to be amended from the current $975 million facility).
  - The FHP $2Bn facility – the new FHP credit facility is to 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.

2. CNSC Access to Information Request

- In October 2017, the CNSC notified the Province that it received a request under the Access to Information Act to release the 2012 – 2017 Provincial Guarantee Agreement.
  - The Agreement provides information regarding the current Provincial Guarantee of $1.551 billion and the CNSC's rights to call upon the guarantee.

- By fulfilling this request, the Provincial Guarantee Agreement will be publicly released.

- The staff is working towards drafting a response to fulfil this request before the deadline of November 2, 2017.

3. OLG Lottery Terminals Loan / Intercept

- [The Ontario Financing Authority (OFA) is currently drafting loan agreement to provide the Ontario Lottery and Gaming Corporation (OLG) up to $85.7 million to finance the replacement and expansion of OLG's lottery terminals and network (LT&N).
  - A Directive from the Minister of Finance to the OFA for the LT&N loan was signed by the Minister of Finance in July 2017.
  - The Directive states that the terms of the loan should be consistent with the OFA Lending Policy, and set out in a loan agreement.

- During a recent non related internal review, OFA Legal noted that per the OFA Lending Policy, the loan agreement, and all loans to the OLG, should contain an intercept provision.

- In order to be compliant with the OFA Lending Policy as it is currently written, either the loan agreement must include an intercept provision or an exemption from the requirement to include an intercept provision could be sought.
  - Including an intercept provision, as per the lending policy, will require additional approval from the Minister of Finance as it would be necessary for the Ministry of Finance to agree to the terms of the intercept provision.

- An exemption from the requirement to include an intercept provision would require a new directive from the Minister of Finance to provide the loan without the intercept provision.]

4. Impact of the FHP on Certain NUGs

- Energy staff have indicated that the recommended policy position would be that rates payable under NUG contracts are unaffected by the deferral of a portion of the GA and the subsequent recovery of deferred costs through the Clean Energy Adjustment.
- Staff for OEFC have drafted a potential letter from the Minister of Energy to the Minister of Finance that would provide support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
    - This draft letter has been shared with Energy at a staff level on Oct 12 and to date there has been no response.

5. Constance Lake First Nation (CLFN) Meeting Request

- A response letter, dated September 14, 2017, was sent to the Chief of CLFN proposing a meeting with the Deputy Minister.
- Meeting scheduling pending / TBD.
- A note is being prepared to inform the DMO of the context prior to the meeting.

6. Wataynikaneyap Power L.P – Federal Contribution

- Wataynikaneyap Power LP is planning to develop and operate electrical transmission and distribution lines in northwestern Ontario (the "Project"). The Project will be financed with equity, senior debt and, as proposed by Energy, a Provincial loan to be supported by a possible contribution from the federal government. This financing structure and potential federal contribution is currently under discussion between the provincial and federal governments.
- At a September 18 meeting, Energy and its negotiator presented to PO and CO its proposal for a Provincial loan to the Project.
- Energy's negotiator has had further communications with the federal negotiator and circulated an additional set of a draft term sheet and MOU.

7. Lakeview

- Potential fiscal impacts and timing.

8. Hydro One: OEB Transmission Rate Decision

- On September 28, 2017 the OEB ruled on Hydro One's Transmission rate application. Projected fiscal impacts, reflected through the Province's share of Hydro One are shown in the table below. This includes the impact of re-basing Hydro One projections from slightly more optimistic Hydro One projections at the time of the Budget.

OEB Transmission Rate decision

$Millions

	2017-18	2018-19	2019-2020	2020-2021
Re-basing	-25	-29	-31	-33
OEB Transmission ruling	-27	-28	-16	-13
Total	**-52**	**-58**	**-47**	**-47**

- There are other risks associated with the OEB ruling on Transmission rates.
  - Hydro One may reflect, as a one-time write-down, the OEB's ruling that certain tax savings be shared with ratepayers. Currently this is reflected as an annual tax savings reduction. In the event this scenario applies, positive adjustments would be made to later years from the table above.
  - Hydro One has filed a Motion to Review in which it is arguing against most of the OEB rulings. This positive risk below, reflects a scenario where hydro One is successful in its Motion to review, i.e. a positive risk to the table above.

OEB Transmission Ruling Risks

$Millions

	2017-18	2018-19	2019-2020	2020-2021
Tax sharing one-time write-down	-251	6	7	10
Hydro One Motion to Review	26	27	14	12

OTHER ISSUES

9. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
  - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted as well as an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
  - MoF/TBS legal have provided drafting instructions to Leg Counsel.
  - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

10. OCGC – S28 Approval of Agreement with Yaletown Partners

- MRIS Minister to seek Minister of Finance s 28 approval of the contingent liabilities contained in an agreement with Yaletown Partners re: cleantech equity investment.

- OFA working with MoF Legal in the review of the supporting documentation and preparation of ministerial briefing materials for Yaletown.
    - Minister of Finance approval will be required by October 23rd, when OCGC plans on executing the agreement. There is a press release planned for October 26th – PO is aware.
    - Official request package has not been received yet from MRIS.

From: Usman Zahid
To: Ronald Kwan
Subject: Mo Bi-Weekly Agenda
Date: Tuesday, October 10, 2017 5:57:20 PM
Attachments: MO Bi-Weekly Oct 12 2017.docx

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly. John has said that he is okay if we choose not to include the credit facility item.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: October 12, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. IESO Credit Facility

- Staff are working to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $600 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $497 million.

- 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].
- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - Staff are waiting for comments from Energy and IESO and potentially anticipate an outreach from Energy at various levels.

2. Constance Lake First Nation (CLFN) Meeting Request

- A response letter, dated September 14, 2017, was sent to the Chief of CLFN proposing a meeting with the Deputy Minister.

3. Wataynikaneyap Power L.P – Federal Contribution

- Wataynikaneyap Power LP is planning to develop and operate electrical transmission and distribution lines in northwestern Ontario (the "Project"). The Project will be financed with equity, senior debt and, as proposed by Energy, a Provincial loan to be supported by a possible contribution from the federal government. This financing structure and potential federal contribution is currently under discussion between the provincial and federal governments.
- No updates since the September 18 meeting at which Energy and its negotiator presented to PO and CO its proposal for a Provincial loan to the Project. Staff from OFA and TBS attended this meeting.

OTHER ISSUES

4. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
    - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

From: Usman Zahid
To: Ronald Kwan
Subject: Mo Bi-Weekly Agenda
Date: Tuesday, October 24, 2017 12:08:01 PM
Attachments: Annotated Agenda MO Bi-Weekly Oct 24 2017_Markup4.docx

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Hi Ron,

Attached is the consolidated Mo Bi-Weekly Agenda.

Regards,
Usman

STAFF DRAFT TF- & ASSET OPTIMIZATION REVISED ISSUES

1. Investment Plan update

- Issue 1 – Clarification: [redacted]
- Issue 2 – Clarification: [redacted]
- Issue 3 – Clarification: [redacted]

2. [redacted] credit Pool Dry

- Issue 4 – Clarification: Analysis the ATCO credit facility for $2 billion for the implementation of the Fuel Hybrid Pool.
  - The existing $575 million facility is currently more than [redacted] million drawn.
  - Once the $2 billion facility is facility is put in place, the $575 million facility is to be terminated and repaid.
- Pursuant to the CCO Limited Policy, the CCO, is required to include an assessment provision in respect of loans Tenaty by the CCO to a public bodies on an unsecured basis, unless otherwise directed by the Minister of Finance (or Treasury Board or Cabinet).
- Post the requirements of the CCN is Limit Fig? Any, the CCO, have reached out to the Minister of Finance to request that the CCO be exempt to include an intercept provision in credit facility agreements for the $2 billion.
  - [redacted]
- ATCO recognized that it would need to obtain the required with EFC, which has been [redacted]
- ATCO requested that it would like to obtain the required consents from EFC prior to the Minister of Finance providing the CCO exemption. [redacted]

[redacted]

- In the event that the IESO decides to grant CPC-TE a priority of payments and then subsequently CPC-TE defaults on the Clarington Energy Centre facilities with TD, CIBC and GE IEC would require the terms to be amended.
  - Staff have communicated to IESO staff that a Minister's Directive would likely be required as the IESO would need to make priority of payments decision on OPG.

Ontario Lottery Corporation Loan Interest

- The OLC is one of the entities (see Appendix 1) to include the Ontario Lottery and Gaming Corporation (OLG) up to $85.7 million to finance the replacement and refurbishment of the Sarnia Casino (the "OLC Loan").
  - A Directive from the Minister of Finance to the OSC for the LTEA has been signed by the Minister of Finance in July 2017.

Under the OSC Lending Policy, the loan agreement, and all loans to the OLC, would require approval by the OSC.

- In order to be compliant with the OPA Lending Policy as it is currently written, either the loan agreement must include an interest provision or an exemption from the requirement for an interest provision must be obtained.
  - Including an interest provision, as per the lending policy, will require additional approvals from the OSC and the Minister of Finance, and likely needs for the Ministry of Finance to agree to the timing of the interest provision.
  - Alternatively, the Minister of Finance could direct the OPA, on an exemption from the requirement for an interest provision basis.

FIPPA: Access to Information Request

- In October 2017, the CAGC notified the Province that it received a request under the Freedom of Information and Protection of Privacy Act ("FIPPA") for a copy of the Agreement between the Province, as represented by the Minister of Finance, and CAGC.
- The Agreement provides information regarding the current Provincial Guarantee Agreement with CAGC and the Province's credit rating.

- By fulfilling this request, the Provincial Guarantee Agreement will be publicly released.

- The staff is currently drafting a response to fulfill this request before the December 15, 2017 deadline. Staff will bring forward any future regulations or Ministerial responses to OLG* in advance of that time.

Next steps of the RMF and Next MOUs

Manager of Accident Investigation Resigns from Board

Manager of Accident Investigation Resigns from Board

Director of CIC is the second Director to resign after a third term from the chairship in respect of QA, deferral on their views and options to avoid such impacts. If that is the case, please let us know.

- This stand-down has been cleared with EP today at a staff level on Oct 12 and to date there has been no response.

Commerce Lake Purchase (CLP) Meeting Proposed

- Mr. Tom Wong, Chairman of Commerce Lake Purchase Co. has requested a meeting with the Board of Directors to discuss the proposed purchase of the Lakeview lands.
- On June 3, 2021, EPC announced that it had begun the sales process for the Lakeview lands.
- A preferred bid has been selected and an agreement of purchase signed. The prospective purchaser has offered a preliminary (pre) purchase price of $275M, subject to a number of conditions including the ability of the purchaser to carry out its (expecting the) purchaser to exercise site-based processes once the site has diligenced is completed.
- It is anticipated that the fiscal target for the Lakeview lands will be achieved if not exceeded.
- A proposed three closing date of March 30, 2040 has been accepted by the purchaser.

Tilden Town Boundary Update

- The boundary adjustment with respect to the Tilden Town of designated one-sixth of about 80,000 from the sale of Fyfe Crus Enterprises was filed on October 24.
- Under the filing of the regulation, Evergreen District Distribution Inc. will be required to pay 70% of the upward proceeds ($80,000) of Undivided Fractional Fee (UFF).
- Evergreen District Distribution Inc. will be required to pay 70% of the upward proceeds ($80,000) of Undivided Fractional Fee (UFF).
- Upon receipt of the funds, the Tilden Trust will be credited with $100M bringing the total amounts credited to the TT to about $5.2 million.

- Additionally, the Ministry of Energy will cover authorization deactivation and reactivation fees for the remaining 2022 cycle, as applicable, and reimburse any of the remaining banks currently relying heavily on fossil-to-bank accounts.
  - Ministry of Energy officials will cover the fees for the remaining banks.
  - GRFC staff have recommended that a small buffer of cents (about $2,500) will be held back in the Brampton Hobbs to cover potential expenses.

[redacted]

U-TRUST-ISOLATE

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- MAGTCO will be requesting an 18 to 24 date exemption specific to this program as the current proposed timelines potentially breach limit amounts set out in the current proposed exemption regulations.
  - MoF/TBS might have provided liability transactions re-org Counsel.
  - Ministerial approval of the joint MOT/TBS regulations is expected to be sought by the end of February, provided that Legal Services's ability to complete the wording of the regulations.

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From:	Hume, Steen (ENERGY)
To:	Ronald Kwan
Cc:	Scott Nelms (ENERGY); Hilary Cox (ENE)
Subject:	OFHP
Date:	Tuesday, May 02, 2017 9:32:07 AM

Good morning Ron. Last week before the Budget, we talked about OFA preparing some content for our TB submission, specifically around your discussion with IESO re enhanced line of credit.

Do you have anything to pass along?

Thanks, Steen

From:	Nelms, Scott (MOF)
To:	Ronald Kwan
Subject:	OFHP
Date:	Tuesday, June 13, 2017 4:27:02 PM
Attachments:	Term Sheet_Master Subscription_draft June 13.docx 2017 06 13 Business Issues v01.docx Financing Trust - Performance Fee Recommendation.doc Term Sheet - Provincial Support Agreement - May 12.docx

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Hi Ron,

Please see the attached package of business issues for OFHP. We have also revamped the update note to shorten and simplify. We aren't sure whether we have the status right on these so hoping to get your perspectives.

Thanks,
Scott

Sent with BlackBerry Work
(www.blackberry.com)

Iron Spirits Plan – Master Technicians Agreement
Version 1.0 – Draft

- Parties: MPIs, IRA, Ministry of Energy
- The Province agrees to retain 40% of Base Rent for the period by way of equity contribution to MPIs, amortized over MPI's Iron Spirits Term Loan, unless the lease term **Majority** is extended.
- Ministry of Energy Resources approves Ready Spirits Plan, and Critical capacity system will not be shut down for repair, and emergency or unscheduled energy inefficiency for Replacement Ready Spirits Plan, and Emergency Plan.
- Long term, MPIs Majority Shareholder will find out will be business planning process, as part of the Iron Spirits Plan, and Emergency Plan, and Emergency Plan, and Emergency

(2) ... outsourcing personnel laboratorium dla ROD Jagiellonia Tłuszcz, zarządzenia wydanego przez Dyrektora Generalnego Lasów Polskich;

§2. Wprowadzić RPO do ROD Jagiellonia Tłuszcz

Zakres: Wdrożenie obejmuje: ROD Jagiellonia Tłuszcz, które w pozostałościowym lasach gatunkowych, w tym:

- Monitoring: Wdrożenie systemu monitoringu, który pozwoli na zbieranie danych o stanie lasu, takich jak wzrost drzew, zdrowotność oraz występowanie szkodników.
- Analiza danych: Opracowanie narzędzi do analizy zebranych danych, które pomogą w identyfikacji trendów i potencjalnych zagrożeń.
- Raportowanie: Regularne generowanie raportów dla zarządu ROD, które będą zawierały kluczowe informacje o stanie lasu oraz rekomendacje dotyczące działań.
- Szkolenia: Przeprowadzenie szkoleń dla pracowników ROD, aby nauczyć ich obsługi nowego systemu oraz interpretacji danych.

Lustiga farm. Nieuczciwy kapitalizm

- Aspekty finansowe projektu: Koszty wdrożenia: Szczegółowe zestawienie wydatków związanych z zakupem sprzętu, oprogramowania oraz szkoleń.
- Źródła finansowania: Informacje o tym, skąd pochodzą środki na realizację projektu (np. budżet ROD, dotacje, fundusze).
- Harmonogram wdrożenia: Szczegółowy plan działań: Podział projektu na etapy z określeniem terminów realizacji każdego z nich.
- Kamienie milowe: Wyznaczenie kluczowych momentów, które będą świadczyć o postępie prac.
- Odpowiedzialność: Określenie osób lub zespołów odpowiedzialnych za poszczególne zadania.
- Ryzyka i sposoby ich minimalizacji: Identyfikacja potencjalnych zagrożeń: Wymienienie możliwych problemów, które mogą wystąpić podczas realizacji projektu (np. opóźnienia, przekroczenie budżetu).
- Plan działań zapobiegawczych: Opisanie sposobów, w jaki zamierzamy uniknąć lub zminimalizować wpływ zidentyfikowanych ryzyk.

Nazwa: Modernizacja Lasu

- Nazwa – pełna nazwa lasu, dla którego tworzony jest plan, np. Nadleśnictwo Kozienice.
- Okres obowiązywania planu: Określenie daty rozpoczęcia i zakończenia realizacji planu, zazwyczaj na okres 10 lat.
- Cele ogólne: Ogólne założenia dotyczące przyszłości lasu, np. zwiększenie jego odporności na zmiany klimatyczne, poprawa bioróżnorodności.
- Cele szczegółowe: Konkretne, mierzalne cele, które chcemy osiągnąć w danym okresie, np. zwiększenie powierzchni lasów mieszanych o 10%.
- Opis drzewostanów: Charakterystyka poszczególnych drzewostanów, ich wiek, skład gatunkowy, zasobność.
- Siedliska: Opis siedlisk leśnych, ich typów i cech.
- Zagrożenia: Identyfikacja potencjalnych zagrożeń, takich jak szkodniki, choroby, pożary, wiatrołomy.
- Zabiegi hodowlane: Szczegółowy opis planowanych zabiegów, takich jak cięcia pielęgnacyjne, cięcia rębne, sadzenie, zalesianie.
- Ochrona przeciwpożarowa: Opis działań mających na celu zapobieganie pożarom i ograniczanie ich skutków.
- Ochrona przed szkodnikami: Opis metod zwalczania szkodników i chorób.
- Udostępnianie lasu: Opis dróg, ścieżek i innych elementów infrastruktury umożliwiających dostęp do lasu.
- Gospodarka łowiecka: Określenie zasad gospodarki łowieckiej, w tym liczebności populacji zwierząt.
- Edukacja ekologiczna: Opis działań edukacyjnych, mających na celu zwiększenie świadomości ekologicznej społeczeństwa.
- Monitoring: Opis systemu monitoringu, który pozwoli na ocenę realizacji planu i jego wpływu na środowisko.
- Mapy: Załączenie map przedstawiających granice lasu, drzewostany, siedliska, infrastrukturę.

Nazwa: Modernizacja Lasu

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- Okres obowiązywania planu: Określenie daty rozpoczęcia i zakończenia realizacji planu, zazwyczaj na okres 10 lat.

Outstanding Business Issues – Ontario Fair Hydro Plan

Issue	Overview	Supporting Documentation	Next Steps
1. Guarantees	• Province to provide assurances that obligations of IESO will be carried out	• Draft Term Sheet • Performance Guarantee* • Service Guarantee*	• OFA to provide comments on draft term sheet to OPG • [??] to draft Guarantees **Timing:** End of July
2. PILs Exemption	• Province to minimize PILs payable by OPG financing vehicle so they are not passed on to ratepayers	• Torys Memo • Regulation *	• MOF Tax Policy to explore opportunity to provide Minister letter to assist in rating agency review • MOF legal to draft regulation **Timing:** Regulation by August/September
3. Equity Injection	• OPG will require monthly equity injections facilitated by ENE and OFA • Amendment to articles is required for OPG to issue new class of shares	• Draft Term Sheet • Master Subscription Agreement* • Service Level Agreement* • Notice of Subscription* • Amendment to Articles*	• OFA to provide comments on equity injection term sheet • OFA to draft SLA for cash management services • OPG to draft MSA and Notice once Province is comfortable with the term sheet • OPG to draft amendment to articles **Timing**: End of July
4. Management Fees	• OPG is allowed to charge a management fee for its services made up of 1)base fee and 2) performance fee	• Draft Base Fee framework • Draft Performance Fee framework • Regulation*	• OEB to provide comments on draft base fee framework • OFA to provide comments on performance fee framework • ENE to draft regulation **Timing**: LRC on June 27th
5. Subordinated Debt Loan Agreement	• OPG will lend the equity injection from the Province to the Trust by way of subordinated debt	• Draft Term Sheet • Debt Loan Arrangement*	• OFA to provide comments • OPG to draft Debt Loan Arrangement **Timing**: ??
6. Increased Credit Facilities	• To help IESO manage monthly cash flow requirements associated with its role in OFHP	• Credit Facility Agreement* • OIC*	• OFA drafting Credit Facility Agreement and OIC **Timing:** LRC on June 27th
7. Indemnities	• MOF to provide	• S.28 Business Case	• ENE to provide responses to OFA questions

for IESO and OPG	indemnities to OPG and IESO Directors, Officers and Employees	• Draft Indemnity	**Timing:** July

***In development**

FINANCING TRUST – PERFORMANCE FEE TO OPG

BACKGROUND

Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest. A performance fee relating to the funding obligations will be meaningful and allow OPG to make decisions that will significantly impact its return. The Act as drafted enables OPG to achieve its accounting objective of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.. The objective therefore is to recommend a reasonable variable performance fee structure for OPG to earn a return from the Trust, and meet the accounting requirement.

ANALYSIS OF ACCOUNTING REQUIREMENT

To support the accounting consolidation, OPG's variable performance return will be accomplished through the followings:

a. The cash flow from the investment asset shall include interest determined based on a relevant benchmark that is appropriate relative to the investment asset, plus an appropriate margin consistent with the relevant market and other risks
b. OPG shall have the authority to determine the financing strategy, which will vary the financing costs with the objective of enabling the Trust to achieve a more favorable return compared to the benchmark for interest on the investment asset
c. The Trust shall establish different classes of debt (senior, subordinated and the most subordinated). The classes would allow the Trust to delineate financing of lower risk investment and investment that would bear higher residual risk. The delineation would limit OPG's self-funded investment to a reasonable level in order to allow OPG to remain a self-sustaining entity.
d. OPG shall, through its ownership of the most subordinated liability, be able to capture and retain the pricing difference between cost of financing and benchmark for interest on the investment asset, or any residual risk of investment asset. The targeted return of the subordinated debt should be reflective of the underlying risks and compensate holders for active management that would be required.

PERFORMANCE FEE ANALYSIS

Based on the accounting requirements, the recommendation is for OPG to establish a variable performance fee structure as follows:

As the Trust may issue both long term bonds and medium term notes, benchmarks based on various terms, will be established on an annual basis, subject to the following methodology:

- Benchmarks will be established as the sum of (1) reference rate, and (2) spread
    - Both reference rate and spread will be term dependant

- For bond/note issuance, reference rate will be GOC rate of equivalent term
- Reference rate will be based on consensus forecast provided by various financial institutions

- Benchmarks will be established based on the weighted average rate of incremental debt issuance at the Trust level
- If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss
- Variable performance fee, i.e. gain/loss, is applicable only to OPG's investment in the Trust (5% of the funding requirement), and is capped at benchmark weighted average rate +/-1%

An example illustrating this structure is detailed in Appendix 1

APPENDIX 1

The illustration is based on the expected Trust debt structure as follows:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via OEFC	39%
Tranche C Sub Debt	the most risky	OPG via OEFC	5%
		OPG via Capital Markets	5%

1. Benchmark is to be established at each year end for Trust issuance next year. In this example, assuming the following benchmark is established as of end of Yr 1

		Benchmark
Tranche A	51%	4.25%
Tranche B Sub Debt	39%	5.50%
Tranche C Sub Debt	10%	6.50%
Weighted Average Rate		**5.0%**

2. By the end of Yr 2, OPG will calculate the actual weighted average rate for all incremental issuance for the year. If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss.

	Allocation	Benchmark	Actual
Tranche A	51%	4.25%	5.0%
Tranche B Sub Debt	39%	5.50%	5.60%
Tranche C Sub Debt	10%	6.50%	6.60%
Weighted Average Rate		**5.0%**	5.4%
		Loss	0.4%

3. Variable management fee, i.e. gain/loss, is applicable only to OPG's investment (5% of the Trust funding requirement), and is capped at benchmark weighted average rate +/-1%.

   Based on the example above and assume incremental Trust issuance is $2B, OPG will realize loss of variable performance fee of 0.4M ($2B*5%*0.4%)

Provincial Support Agreement Term Sheet

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") on behalf of itself and all other persons having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee, the trustee of the Financing Entity if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[1] after all funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.

[1] This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

Performance Guarantee:	Under the Master Sale and Servicing Agreement to be entered into by IESO and the Financing Entity, **[and OPG as Financial Services Manager]** ("**MSSA**"), IESO will have obligations both as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the Beneficiaries for any losses that result.
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) the Legislative Assembly of Ontario repeals the Act; or (B) the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.

Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than one year] shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid all Beneficiaries in full, to the extent of such payments the Guarantor shall be subrogated in and to all the rights of recovery of the Beneficiaries in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all indebtedness and obligations owing to the Beneficiaries, the Indenture Trustee will acknowledge and agree on behalf of the Beneficiaries that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiaries have or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.

Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

From: Nelms, Scott (MOF)
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan; Vivienne Skoberne (MOHLTC)
Subject: OFHP Update
Date: Thursday, March 23, 2017 2:55:05 PM
Attachments: TOR_2024-#12889484-v2-Update.docx

Hi Dave,

Please see the following update from this morning's Fair Hydro Plan discussion. Gadi, please jump in if there is anything that I have missed.

- **Global Adjustment Financing updates**
  - Blakes: (see attached document)
    - Moving away from a deferral to characterizing as a program of spreading costs over multi-generations (moving away from coal)
      - This is one of the major tools to defend against a challenge (matching with asset life)
      - Ideal if can demonstrate overpayment by current and past ratepayers = deferral
      - Further bolstered by a study from Navigant to demonstrate long lived assets
      - Aiming to reduce risk
    - Requirements for the Asset:
      - Needs to be clearly defined
      - Needs an effective collection process
      - Need to deal with opting out to ensure lenders are protected
      - Cash flow mechanisms between OPG, IESO and customers are complex (challenge to draft accurately)
      - Will lenders accept next tranche paying interest for the previous tranche? OPG is working through this and believe they have a viable path
      - How to determine timing around when OPG purchases the asset from IESO?
        - Monthly or every 3 months (or when OPG goes to market)
        - Action: OPG will return with a proposal
    - Legislation
      - Recovery needs to link to consumption of energy
      - Need to see clear link between customer, IESO, OPG
      - No calculations in legislation (instead in regulation)
      - Working through American legislative equivalents
        - Goldman is doing something similar from a market perspective in US and RBC/CIBC in CDN to understand what is required
      - ENE will share a first draft of the materials for first review
      - Pens down April 17th (although may be some flexibility on that)
      - LRC on May 1st, also TB report back
      - Introduction on 4th of May
  - OPG:

        - OPG Board Committee up and running (will align with legislative timeline)
            - Draft Dec/Res underway (needed in 1/2 weeks)
            - Indemnity for Board would include in Dec/Res, will require Section 28 (include in May 1 meeting)
        - Question on doing some of 51% from OFA (still working through this, market disclosure may be required, which could erode value of the lead order)
        - Bank discussions:
            - Met yesterday
            - Lead banks considering this as a hybrid vehicle (not just securitization)
                - Can tap several markets so better pricing
            - Challenge to define capacity for the trust vehicle
                - Banks asked to define what is required as lender's protection (financing covenants, ratings etc.)
        - Building more robust financial model to support credit rating and financing discussions
        - Meet with rating agencies in next few weeks
            - Will also seek their perspective on what is required in legislation
        - Number of legal documents being developed in parallel
        - Plan to embed OFA team members with OPG as discussions progress
    - IESO:
        - Operationalizing social programs, RPP - going well
        - Need to talk to OFA about terms and size of line of credit in order to ensure it will be sufficient for GA refinancing
        - Board approved 2016 financials
        - KPMG will begin working through an accounting opinion for GA financing once more specifics on legislation are available
        - Question to the group: can we create a regulatory asset in legislation?
            - IESO suggests this is possible
            - Can link into RPP setting process, use existing processes rather than establishing something new
            - Blakes: amount must be collectable, no process can diminish that right, so needs to be up front if anything
            - OPCD suggests role for OEB needs to be robust
    - OEB:
        - RPP:
            - Comfort letter to take into account in RPP, not want to be prescriptive
            - In process of forecasting RPP
            - Mid-April announcement (after Easter)
            - 8 utilities involved
        - Less clarity in role for OEB in reviewing and establishing the IESO regulatory asset (per above)
            - Need to balance financing and accounting requirements
            - Further discussions are required

- **OESP**

- Regulation posting finished April 8th, submit for LRC approval on April 10th
- Implemented on May 1
- Board decision removing charge from bill (stop collecting)
- "wet" signature (physical signature requirements) considerable impediment to signing up customers
    - MoF engaged with CRA to find a way to reduce the burden of this requirement
- ENE engaged with MoF / CRA to ensure new OESP levels remain tax exempt

- **FN rate**
    - OEB has not yet posted report because some inconsistency on how to move forward
        - Inclusion of non-First Nations living on-reserve
        - Neither Chiefs, nor Hydro One thought it would be difficult to include verification
        - ENE staff suggest there may be technical challenges to this level of micro-targeting
    - OEB will require a letter from Minister acknowledging receipt of report, and providing clarity on implementation

- **Affordability Fund**
    - Will trigger flow of funds prior to end of month to Computershare acting as Trustee
    - Administrators of the Trust will likely be relevant subject-matter experts appointed from LDCs and Social assistance agencies
    - Report back to TB once $100M is close to exhausted to review how it is being deployed and to consider flowing of next $100M

- **Industrial Conservation Initiative**
    - Regulation posted
    - April 10 LRC for approval
    - Ontario Chamber of Commerce TPA finalized to assist with consultations
    - ENE also meeting with Canadian Manufacture Enterprise to discuss potential role in the roll out
    - Assembled ADMs (MEDG, Env, Labour, MoF) to discuss competitiveness

- **AG Meeting**
    - As part of its IT audit of IESO, the AG's Office has asked for all Cabinet submissions relating to the OFHP (Feb and March submissions, Binnie opinion, White papers etc.)
    - ENE, TB and MoF staff to meet with the AG's Office on April 19th

- **FAO Request for Information**
    - Package responding to questions will be sent out tomorrow (joint between ENE and MoF)

- **Bill presentation**
    - Strong interest from the Province in presentation of the OFHP on customer bills
    - ENE staff will begin to work something up for review

Scott

Legislative Changes – Update

The legislative team is currently working through a number of detailed issues surrounding possible transaction structures to ensure that the legislative framework provides appropriate flexibility.

What follows are some of the issues currently under consideration by the legislative team:

1. "Deferral" Characterization

- The concept of "deferral" mischaracterizes the true nature of the program
- GA Smoothing Program is intended to spread the cost of the generation assets to which the GA applies among the present and future ratepayers who will be expected to benefit from such assets (having regard to the useful life of the assets in question)
- Linking the charges to the useful life of the assets, and spreading the costs more fairly across the generations of ratepayers benefitting and expected to benefit from the assets, helps to make it clear that the program costs are intended to be a regulatory charge to ratepayers and not an indirect tax

2. Market Considerations

- Capital market requirements are becoming clearer, including the elements surrounding the definition of and rights related to the regulatory asset, and further refinement will be necessary as we obtain more specific input from financial advisors and stakeholders
- The obligation to pay must be a traceable obligation directly to the individual consumers in the applicable rate class and the legislation must provide for a pre-agreed collection mechanism
- An issue being considered is whether there will be any concern by the market that the cash flow needed to service all of the financing costs due within any period will be constrained by the policy objective regarding maximum annual rate increases for the relevant class of ratepayers. Consideration should be given to ways to provide certainty of cash flows in circumstances where payments under the financing obligations become due prior to the corresponding cash flows from the regulatory asset are available.

3. Timing and Frequency of Sales of the Regulatory Asset to the Financing Entity

- What triggers a sale of the regulatory asset from IESO to the Financing Entity?
- Until a sale occurs, IESO will need to finance the shortfall. For what duration?
- Bond issuances will not occur monthly – and the timing of long term financing in the capital markets will, in part, be linked to market conditions.
- Which entity (IESO/Financing Entity) will obtain non-market-based funding (for example, bank financing) until market-based funding is obtained (both at the outset and throughout the life of the program)?

- Would the funding of any shortfall occur no matter what the conditions are in the financial market or the electricity market?

    - Electricity market: large fluctuations (e.g. rise) in commodity price of electricity could materially impact the amounts which need to be borrowed annually

    - Financial markets: borrowing could become very expensive for any entity (IESO or OPG/Trust/SPV). Should the program be made to change, stop or adapt to these kinds of material changes?

4. Conditions to Sale of Regulatory Asset and to Market Transactions.

- The team is working to identify appropriate conditions to the sale of the regulatory asset and to new financings and the incurrence of related costs, given that the financing costs incurred will automatically get passed through to the ratepayers. The location of any such requirements (legislation, regulation, etc.) is currently being determined.

- At the most general level, consider whether there will need to be any required approvals, including approvals over financing costs to be incurred (e.g., including a determination if third party costs are reasonable) prior to any particular financing transaction?

- Should OPG be guided by any prescribed rules or principles when making decisions about financings (e.g., decisions about short term vs. long term financing)?

From:	Nelms, Scott (MOF)
To:	David McLean (MOF)
Cc:	Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject:	OFHP Update
Date:	Thursday, April 06, 2017 10:35:21 AM
Attachments:	Agenda_Weekly Rate Mitig Implmentation Group_Mar 6.docx Consolidated - OFHP Matrix - Week of April 3.docx FHP Policy Foundations 04 04 2017 v.3.docx

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Hi Dave,

Please see the following update (and attached materials) from this morning's rate mitigation meeting:

GA Financing

Legal Update

- Fair allocation plan (think of this as the line showing savings and costs to ratepayers associated with this program over time)
  - Province has set plan for deferrals for the first 4 years (25% and annual increases tied to inflation)
  - Need process (within pre-set parameters and input from OPG) to determine path for deferrals and recovery for subsequent years (5-30)
  - Originally viewed Province as taking a role in setting out this path
    - Feedback from market that Province should not be involved
  - Need to determine appropriate lead entity (e.g. OPG or IESO)
  - Need to be linked to life of underlying assets in order to mitigate constitutional risk
  - Consider 1-2 year refresh on the plan
  - Structure is still in flux
- Treasury Plan
  - OPG Trust sets this plan
  - Limited oversight in order to ensure OPG Trust can raise $ in the market at a reasonable cost
  - Must fit within the limits set by fair allocation plan (but can vary under the cost curve depending on market and interest rate realities)
  - Once specific bonds issued, fair allocation plan cannot override
- Role for OEB
  - Needs to be extremely limited in order to meet market requirements
  - However need to project consumer confidence
  - Options are currently under reivew
- Collectability is a key point that requires a number of provisions in legislation including
  - Irrevocable charges
  - Role of LDCs, IESO in collections
  - Non-bypassability (exiting the electricity system / going off grid)
- Provincial back-stops
  - Springing guarantees that arise in the event Province takes certain actions that erode value to bondholders

    - Need to be limited and contingent in order to meet accounting tests
    - Dealers considering whether this needs to be in legislation or in a side agreement
    - Want to make sure that it is narrowly focused in terms of triggering events to cover only material impacts and avoid unintended consequences (investors taking legal action)
        - Over time as relevant policy changes are implemented, trustee may look to a 3rd party (e.g. opinion, ratings confirmation) to ensure that value of debt is not degraded
- If Province takes on any of the debt, need to determine what can happen from an accounting perspective. Situations to review:
    - Temporary freeze on borrowing markets
    - Permanent impairment of OPG's ability to purchase a portion of the asset from IESO (in this case may need a guarantee from the Province)
- Timeline for legislation
    - Pens down April 21
    - May 1st TB, LRC, Cab
    - May 4th introduction
    - Currently working from a Blakes document as a straw-person that would act as instructions to legislative counsel
    - Driving to timeline, very aggressive

OPG

- Special committee of the board met last week
    - RBC, CIBC, Goldman included
    - Discussed this is much larger than past models
    - Imperative that this structure follows past transaction models
    - Also reviewed stress scenarios (interest rates are most impactful)
- Shareholder letter
    - Providing to committee tomorrow and will share with government thereafter
- Reviewing sub-debt attributes
    - Certain characteristics needed in order to support senior debt financing (most notably will take on longevity risk)
        - Characteristics of the sub-debt would drive pricing (not tied to Province's cost of funds; likely to be higher interest rate)
    - At minimum, want to ensure that OPG's earnings are higher to offset incremental IOD to the Province

OEB

- Comfort letter from the Province is nearly ready, hopefully tomorrow
- Balancing amount of information needed

IESO

- Want to narrow issues to what is needed in legislation
- Regulatory asset
    - Speaking with KPMG today
    - Meeting with ENE today to discuss business issues

Affordability Fund

- Advisory committee established to recommend final trustees
  - Will start mid-month deliberations
  - By May 31
  - 3 from LDCs and 2 from social services
- Hydro One is providing logistical support

Social programs (OESP, FN Rate, RRRP)

- Same timelines for approvals as GA
- Lots of details to sort through in regulation once legislation in place
- Give comfort to LDCs, IESO, Board in terms of what will be included in regulations in order for them to begin implementation
- Appearance on Energy Financials:
  - Will have flexibility to flow funds between programs while ensuring transparncy (4 line items but not executive control on each)
  - ENE could move $ between programs without TBS approval
- OESP: May 1 implementation of enhancements, OEB using up existing funds so no immediate draw on fiscal plan, working with social program ministries to assist with implementation, working with MoF / CRA to remove wet signature requirement
- RRRP: plan to have in place by July 1 for 8 utilities; retro-active start as safety valve if needed for utilities with more limited capacity to move quickly
- FN Rate: working to set up a meeting with COO to discuss options (for next week), Province does not want to be involved in choosing who is FN therefore plan to determine eligibility solely on the basis of geography

ICI

- Expanded to include greenhouses
- Need to meet 500kw threshold
- Were already eligible at 1MW; therefore, not many that aren't already been captured
- Seeking LRC regulatory approval April 10th
- Working with CME, OCC on outreach campaigns on benefits of ICI and other conservation initiatives

Bill Presentment

- Will not attempt to change the bill for July 1
  - If try to be more aggressive on changes to the bill may jeopardize implementation
- Want a larger re-work, look at all the constraints and regulations
  - For example, reconsider changing name of "delivery"
  - Timing: fall for re-design
- In the interim, want an insert that shows %

AG

- Walk through with ENE / MoF staff on April 19th
- TBS will share technical materials in advance

FAO

- Submitted materials last week
- Will circle back to determine status

Thanks,
Scott

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WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 6, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB)
    - OPG Update
    - IESO Update
    - OEB Update

2) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

3) Bill Presentment (SNAP)

4) Update on Action Items / Policy Matrix

Notes:

Implementation of Ontario's Fair Hydro Plan
Week of April 3, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation • Defining mitigation and recovery mechanism; and • Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg. 95/05) • Shareholder Resolution (work with OPG to determine form) • Third Party Technical Report re Long Lived Assets (TBD) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to the market	• IESO Board meeting on April 11, 2017 (TBD) – ESP to present on OFHP • AG briefing on April 19, 2017 (TBD) • Provide comfort level to allow OEB to include in May 2017 RPP • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	• OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes will continue to work through legislative drafting issues • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature. • Legislative walk-through and working group meetings Monday and Tuesday • ENERGY / Blakes / IESO / OEB / OPG to meet on Tuesday to work through issues related to legislation • LSB / Blakes to brief OPCD on legislation • KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions • Blakes / OPG to work through financing issues related to 10% cap • Blakes / LSB to work with MAG on a second constitutional law	

Item	Key Deliverables / Considerations	Timing / Next Steps
	opinion from Peter Hogg • TD being engaged through OFA to provide financial advice • ESP to make presentation on GA financing at upcoming IESO Board meeting <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd and March 24th • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 1, 2017 (TBD) • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • SNAP/LSB working on LRC package for OESP enhancements • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • Board decision this week on removing OESP from bill as of May 1. • SNAP to work with TBS to ensure funds flow from fiscal plan as soon as legislation passes <u>Considerations</u> • OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts • Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to use OESP variance (approx. $100M) to reduce current OESP charge to zero and continue funding existing program until tax changes in place. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 1, 2017 (TBD) • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. <u>Considerations</u> • Legislative changes not required.	**April 7, 2017:** • Briefing for Advisory Committee members **April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) • ESP to consider implications of dropping below 500kw threshold due to investments in conservation <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information by March 24, 2017 • Ministry preparing responsive materials
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP	• Preliminary discussion on April 19, 2017 (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment	• Initial discussion on March 31, 2017

Policy and Legal Foundations for the Proposed Ontario Fair Hydro Plan Act
April 4, 2017

Creating the Regulatory Framework

- Principles will link the benefit of the "Green Generation Initiative" with the regulatory cost that future rate payers will pay
- Need to name and articulate "Green Generation Initiative"

Fair Allocation Plan

- Policy direction around intergenerational funding will be established by the Minister of Energy
- The Fair Allocation Plan has been determined for the 1st four years, as set out in the March 2nd announcement
- Should there be a process around the Fair Allocation Plan [or as necessary]?
- [Role for the OEB?]

Treasury Plan

- Created by OPG to implement the Fair Allocation Plan
- Will pass through actual costs and expenses of funding obligations incurred
- 3 components:
    - Treasury Plan must be compliant with principles and parameters of the Fair Allocation Plan;
    - The Plan must match maturities to allocations under the Fair Allocation Plan, as well as achieve funding efficiencies and cost management articulated in the Fair Allocation Plan; and
    - Implementation
- Should [Minister?] [OEB?] review [and approve?] the Treasury Plan? At what point in process?

Establishment of the Regulatory Asset

- Right to recover from rate payers, through collection by LDCs and IESO, the regulatory charge, late fees, interest established by legislation
- IESO may dispose of (by assignment, transfer, sale, etc.) its right, title and interest in the Regulatory Asset
- Legislation will create property rights and allow for security interests in the Regulatory Asset
- [Role of the OEB in establishing the Regulatory Asset?]
- Role of OPG in acquiring the asset?

Ensuring Collectability

- Clearly defined class of rate payers that receive and pay for the benefit
- Charges are irrevocable
- LDCs have duty to invoice rate payers for the charge
- IESO and LDCs have duty to collect charges as agent and pay remittances to IESO
- IESO has duty to pay remittances to the Regulatory Asset Owner
- Non-by-passability – subject rate payers who opt to go off grid to a penalty (prepayment)?
- True up mechanism to reconcile collections with incurrences
- Province shall not take steps to reduce, alter, impair or terminate the Regulatory Asset or collection

OEB Role

- [Inspect books and records?]

DRAFT

- [Approve administrative costs?]
- [Prudence review of financing costs?]
- [Consequences of OEB review?]
    - Ability to review
    - Ability to review and make recommendations (non-binding)
    - Review and approve or refer back for reconsideration (binding)

Provincial Guarantee

- Scope / Triggers / Consequences / Form

DRAFT

From: Nelms, Scott (MOF)
To: Ronald Kwan; Gadi Mayman; Mike Manning
Subject: OFHP
Date: Thursday, May 25, 2017 8:41:08 AM

In the weekly update meeting with ENE. Anything we want to say on the following topics:

- Comparison of Clean Energy Adjustment to Debt Retirement Charge (OFA)
- Guarantees for dealers (OPG/OFA)

If not, no problem, wanted to check.

Thanks,
Scott

Scott Nelms
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From:	Strang, James (TBS)
To:	Afshin Malekzadeh (MOHLTC)
Cc:	Chris Skubel (MGS); Nina Arbabzadeh (EDU); Patrick Laughton (MOF); Veinot, Cindy (TBS); Karen Hughes (MGS); Nadine Petsche (MOF); Helen Graham (MOF); Hosick, Sarah (TBS); Paul Kaufman (MOHLTC); Nick Smook (MOF); Didem Proulx (MTCU); Ronald Kwan; John Kim
Subject:	Part 2 OFHP Regs - Draft Sub and RAN
Date:	Saturday, June 24, 2017 4:29:40 PM
Attachments:	2 TB Sub 170621 TB SUB June 27.docx 3 RAN OFHP Regulations Part 2 v1.doc

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Hi,

Attached is Energy's Draft Submission received (please keep confidential as not approved by Energy). The second file is a draft assessment note for review and comment. After consolidating feedback from central agencies, I'm intending to share with Energy later on Monday. The item is at Treasury Board Tuesday in the early afternoon.

James

MINISTRY OF ENERGY

TREASURY BOARD / MANAGEMENT BOARD of CABINET SUBMISSION

ONTARIO'S FAIR HYDRO PLAN – REPORT BACK

June 27, 2017

CONFIDENTIAL
MINISTRY OF ENERGY

1.0 MINISTRY REQUEST

1. The Ministry of Energy is reporting back with updates to the Treasury Board/Management Board of Cabinet (TB/MBC) on the following:

    i. Implementation of Global Adjustment (GA) Refinancing; and

    ii. Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP).

2.0 PURPOSE OF REQUEST

On May 31, 2017, Bill 132, the *Fair Hydro Act, 2017* (*FHA*), which enables Ontario's Fair Hydro Plan (OFHP) under the *Ontario Fair Hydro Plan Act, 2017*, (*OFHPA*) and the implementation of electricity social program-related amendments to the *Ontario Energy Board Act, 1998*, was passed by the legislature. The Bill received Royal Assent on June 1, 2017.

The FHA is comprised of two Schedules:

- Schedule 1 – is the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) and related amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* (*OEBA*); and

- Schedule 2 – includes the electricity social program-related amendments to the *OEBA.*

On May 9, 2017, as part of its *FHA* review, TB/MBC requested that the Ministry of Energy report back on key updates and the details of proposed regulations that would support Ontario's Fair Hydro Plan (OFHP).

On June 14, 2017, to support implementation of OFHP, LRC / Cabinet approved a first package of proposed regulations – these regulations are now in effect.

On June 27, 2017, LRC/Cabinet will review the second package, including a new general regulation under Schedule 1 of the FHA and two regulatory amendments related to the social programs.

The general regulation is necessary to ensure that the mechanisms for refinancing of GA as set out under the *OFHPA* are in place in time for the first debt offering in fall 2017.

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The Ministry of Finance (MOF) is also seeking an OIC under CIPA to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2 billion. This change will allow the OFA to enhance the IESO credit facility as necessary to assist with the timely and successful implementation of the OFHP.

The new *OFHPA* and the proposed regulation, along with the independent accounting analysis, legal support and technical analysis and future financial agreements (i.e., expected to be reached and signed in fall 2017) together mitigate the financing, accounting and legal issues raised in the March 1, 2017 Cabinet Submission and the May 9, 2017 TB submission.

The proposed amendments in this package are needed to implement the changes to the Ontario Electricity Support Program (OESP), under (OFHP, as enacted under the *OFHPA*. The proposed amendments support the implementation strategy to increase enrolment of social assistance clients' into the OESP.

1. Implementation of GA Refinancing:

Ontario's energy system is being transformed – more than $50 billion has been invested to decarbonize and modernize the electricity system, including an investment of over $35 billion in clean and renewable generation.

Over the last decade the government has invested in Ontario's transmission and distribution infrastructure (i.e., the grid) and clean generation, and phased out the use of coal-fired generation. These initiatives have resulted in electricity prices increasing.

On March 2, 2017, as part of OFHP, it was announced that a portion of the Global Adjustment (GA) would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Under the *OFHPA* which enables GA Refinancing, electricity bills of typical residential consumers would be reduced by 25 per cent starting on July 1, 2017. In addition, the government has committed to hold increases to electricity bills to the rate of inflation for four years. Up to 500,000 small businesses and farms would also benefit.

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Proposal

On June 27, 2017, to support implementation of OFHP, LRC / Cabinet will review the following proposed regulation:

- Creating a new Regulation ("General Regulation") to be made under the *Ontario Fair Hydro Plan Act, 2017*(*OFHPA*), which is Schedule 1 of the *Fair Hydro Act, 2017*.

The new regulation would, if approved, provide further detail on the roles and responsibilities of the Financial Services Manager (FSM, i.e., Ontario Power Generation (OPG)), the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB) under the OFHPA.

The proposed regulation would, if approved, also provide further criteria related to the development and implementation of the Financing Plan by the FSM, , the setting of the Fair Allocation Amount by the Minister of Energy and the recovery of the Clean Energy Adjustment from electricity consumers, as required under the OFHPA.

Implementation

To implement GA refinancing and mitigate financing, accounting and legal risks, the Ministry has:

- Worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent advisors and third party financing (i.e., dealers);

- On June 1, 2017, the *OFHPA*, which enables GA refinancing and responds to the financing, accounting and legal issues outlined in the March 1, 2017 Cabinet Submission, received Royal assent. Note: The Ministry has also prepared regulations to support implementation (as noted above);

- Received accounting opinions from E&Y (OPG) and KPMG (IESO);

- Received independent advice regarding financing and legal requirements from TD Securities (OFA) and Blakes (ENERGY); and

- Launched third party technical analysis to assist with implementation of GA refinancing.

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2. Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP)

- The proposed amendments to O. Reg. 314/15 will facilitate the processing of OESP applications by MCSS on behalf of SA clients pursuant to an agreement with the Minister or the OEB, and help meet the government's goal of substantially increasing uptake in the OESP. Proposed amendments include:

    - Changes to the OESP eligibility definitions when MCSS is processing applications on behalf of SA clients that would make household size and household income – the two main criteria for determining OESP eligibility –consistent with the criteria that MCSS uses to determine financial eligibility for social assistance. These changes are needed because there are minor differences in how eligibility is determined between SA programs and the OESP.
    - Recognizing the "benefit unit" as eligible for OESP, such that a current or new SA client who is not the utility account holder, but is part of an account holder's benefit unit, can still receive support from MCSS to apply to the OESP.
    - Addressing current and future scenarios where those deemed financially eligible for SA fall outside of the current OESP eligibility categories. Proposed amendments to Schedule 1 would ensure that anyone deemed financially eligible for social assistance (and is part of a benefit unit that is billed directly for electricity) would also be eligible for OESP.

- The proposed amendments O. Reg. 314/15 (Ontario Electricity Support Program) made under the OEBA are needed to implement the changes to the Ontario Electricity Support Program (OESP), under Ontario's Fair Hydro Plan (OFHP), as enacted under the FHA. The proposed amendments support the implementation strategy to increase enrolment of social assistance clients' into the OESP.

Rural or Remote Rate Protection

Rural or Remote Rate Protection (RRRP) mitigates some of the high costs of electricity distribution in rural or remote areas of the Province. It is a legacy program of the old Ontario Hydro and has existed in its current form since 2001.

The new legislation enables, through regulation, the transfer of the costs of funding the program for Hydro One's R2 customers from the rate-base to the tax-base for prescribed customers. The regulation will also prescribe the monthly amount of rate protection available to Hydro One R2 customers through RRRP.

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- R2 customers are those customers of Hydro One classified as living in the lowest density areas of the Province.

Distribution Rate Protection

While the RRRP program helps mitigate some of the higher distribution costs for Hydro One R2 customers, as well as certain customers served by Algoma Power, Hydro One Remote Communities and James Bay First Nation LDCs, there is an opportunity to provide further relief to consumers served by higher distribution cost LDCs.

The new legislation enables tax-based funding to support distribution rate protection for prescribed residential customers of LDCs with high-cost distribution rates. Eight high-distribution cost LDCs whose customers are eligible customers will be prescribed in regulation. Residential customers of Algoma Power and Hydro One R2 customers would be eligible for additional relief as these LDCs are the highest cost distributors in the province (as well as six additional higher-distribution cost LDCs).

The regulation will set out a process that the OEB will utilize to determine the maximum monthly distribution charge that all prescribed high-cost distributors will charge their customers. In future years, this harmonized monthly charge, by design, cannot decrease as it adjusts to reflect the higher of either the lowest rate LDC in the program, or the maximum monthly charge of the previous year, as determined by the OEB.

Ontario Electricity Support Program (OESP)

OESP began on January 1, 2016 as a rate-payer funded program to provide relief to low income Ontarians who are struggling to afford their electricity bills. The OEB administers the program.

The Fair Hydro Plan committed to move the program from the rate base to the tax base, and to expand the OESP by increasing the credit amounts by 50 per cent, making more Ontarians eligible for the program, and aligning the OESP with other social assistance programs to increase uptake.
March 23, 2017, the OEB issued a Decision and Order to end the OESP volumetric charge paid by all Ontario consumers on May 1, 2017 ($0.0011 per kilowatt-hour of power consumed). On April 10, 2017, Cabinet approved amendments to the OESP regulation (O.Reg. 314/15) to increase credit amounts by 50% and introduce new eligibility categories so more Ontarians can access the program. These changes came into effect on May 1, 2017.

As part of the OFHP, ENERGY has already completed the following legislative and regulatory changes on OESP:

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- Effective May 1, 2017, ENERGY completed a regulatory amendment to O. Reg. 314/15 to increase OESP credit amounts by 50% and expand eligibility criteria.

- Corresponding legislative amendments to section 79.2 of the OEBA were made to enable the program to shift from the rate-base to the tax-base once the rate-base pooled funding has been depleted. The intended approach involves proclaiming s.79.2 of the OEBA into force on a future date to be named by proclamation.

- These legislative amendments also provided authority for the Minister or the OEB to enter into an agreement with MCSS to provide services related to the administration of the OESP on behalf of SA clients, including data-sharing and information-sharing required to deliver OESP to SA clients. Along with ss. amendments to s. 79, the new sections 79.3 and 79.4, came into force on Royal Assent on June 1, 2017.

Implementation

MCSS will be responsible for implementing the proposed regulatory changes once an agreement has been entered into between the Minister and/or the OEB and MCSS, which were designed to support a strategy jointly developed by ENERGY, the OEB, and MCSS to meet the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery.

MCSS will be seeking Treasury Board approval for resources to implement these proposed changes in a separate request.

3.0 KEY CONTEXT

On June 1, 2017, the *Fair Hydro Act, 2017*, the legislation to enable the Ontario Fair Hydro Plan (OFHP) under the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) received Royal assent. The OFHPA will reduce the electricity bills of typical residential consumers by 25 per cent starting in summer 2017. Up to 500,000 small businesses and farms would also benefit.

OFHP also announced other measures to enhance business competitiveness, helping vulnerable consumers and reduce the cost of electricity over the longer term.

The Ministry's report back and update to TB/MBC focuses on the following OFHP initiatives:

1) Implementation of GA Refinancing:

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Under the *OFHPA*, a portion of the GA would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Today's electricity consumers have been bearing disproportionate cost responsibility for the investments in developing the clean, modern and reliable electricity system that Ontario has today and that will continue to provide benefit to future generations. The legislation recognizes the long-term benefit of clean energy investments to more appropriately allocate costs into the future to account for long-term benefits.

Refinancing a portion of the GA would provide significant and immediate rate relief to electricity consumers that have been burdened with the costs of the necessary investments that have been made to decarbonize and modernize the province's electricity infrastructure. This would be achieved by spreading the cost of electricity investments so that they are shared proportionately by future consumers who cause a need for or benefit from the province's multi-billion dollar investments in electricity infrastructure.

To implement GA refinancing and to mitigate the financing, accounting and legal risks, the Ministry has:

- Worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent advisors and third party financing (i.e., dealers);

- Developed the *Fair Hydro Act, 2017* which enables the OFHP under the *Ontario Fair Hydro Plan Act (OFHPA), 2017*, to respond to the financing, accounting and legal issues outlined in the March 1, 2017 Cabinet Submission. Note: On June 1, 2017, the *OFHPA* received Royal assent.

- Developed supporting regulations which further contribute to the implementation of the OFHP under the legislation;

    - One new regulation under the OFHPA, *Ontario Regulation 195/17 Fair Adjustment under Part II of the Act.* and one amendment to existing regulation under the Electricity Act, 1998 (O. Reg. 280/14, IESO: Eligible Investments and Borrowing) went to LRC/Cabinet on June 14, 2017; and

    - A further new proposed regulation will go to the June 27,2017 LRC/Cabinet.

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- Received accounting opinions from E&Y (OPG) and KPMG (IESO);

- Received independent advice regarding financing and legal requirements from TD Securities (OFA) and Blakes (ENERGY); and

- Launched a third party technical analysis project to assist with implementation of GA refinancing. Scope of work includes analysing the expected lifecycle of the existing generation infrastructure and related financial modeling of costs over an extended timeframe.

On June 27, 2017, to support implementation of OFHP, LRC / Cabinet will review the following regulation:

Creating a new Regulation ("General Regulation") to be made under the *Ontario Fair Hydro Plan Act*, 2017, which is Schedule 1 of the Fair Hydro Act, 2017.

- The proposed regulation supports key aspects of the OFHPA including:

  - Details around establishment and transfer of portions of the regulatory asset;
  - The establishment of the OFHPA-related deferral and variance account to be held by the Independent Electricity System Operator (IESO);
  - The definition and details regarding the "funding obligation" which relates to the recovery of moneys borrowed by OPG/financing entity to fund GA refinancing;
  - Methodology related to the calculation by the FSM of the Clean Energy Adjustment (CEA, i.e., the total amount payable by electricity consumers each reference period) including the communication of the CEA amounts to be collected to the OEB for its use in setting rates;
  - Determination of rates and amounts related to the recovery of the CEA under which regulated rate consumers must be invoiced and which must be used in the calculation of rates for non-regulated consumers;
  - Requirements for electricity vendors (the IESO, LDCs, retailers and unit sub-meter providers (USMPs)) in relation to the collection of amounts in respect of the CEA from electricity consumers;
  - The composition of the FSM's fees and the OEB's role in the review of those (i.e., the fees related to the ongoing operation of the FSM during the period of GA Refinancing);
  - Details related to the methodology to be used by the Minister in the calculation of the Fair Allocation amount (i.e. a calculation of the fair allocation of clean energy costs over time); and
  - Further criteria related to the development and implementation of the Financing Plan by the FSM.

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Financing, Accounting and Legal Risk Considerations / Mitigations

The Ministry was asked to report back to TBS/MBC with details on how financing, accounting and legal risks would be mitigated.

Financing

OFHPA Legislation

The purpose of the legislation is to support the Government of Ontario's commitment to ensure that the costs of investments in the electricity system are allocated fairly among present and future generations of consumers. Costs to be allocated include clean and renewable generation facilities, conservation, demand management and energy efficiency programs.

The supporting legislation defines the mechanisms and framework that would achieve the refinancing of the (GA), including:

- Fair Allocation Amount: A calculation and allocation of clean energy costs over time in proportion to clean energy benefits. It is expected that the calculation would lead to decreased rates in the near term with rates higher than forecast in the long term. The Minister of Energy is to calculate the Fair Allocation Amount and provide the amount to the Financial Services Manager (OPG). Subsequent calculations may be undertaken by other agents as prescribed by the Minister if prescribed by regulation.

- Fair Adjustment: Sets out the mechanism for the Ontario Energy Board (OEB) to determine the "relief", including the initial decrease in rates to achieve the 25% decrease, for the period July 1, 2017 to April 30, 2018. Under the legislation, the OEB must determine the amount within 15 business days of the legislation coming into force. The Fair Adjustment also allows the Lieutenant Governor in Council (LGIC) to make regulations prescribing electricity rates for the period May 1, 2018 to June 30, 2021.

- Clean Energy Adjustment: The mechanism to recover the under-collection of GA from eligible consumers during the recovery period. This is an adjustment to a consumer invoice on a monthly basis to repay principal, interest and other financing costs. IESO and each electricity distributor will act as an agent for the financing entity to impose, invoice and collect the clean energy adjustments.

The Ministry has prepared the legislation, recently passed regulation and supporting proposed regulation in close collaboration with key ministries (i.e., TB, MOF, AG and CO), agencies (i.e., OEB, IESO, OPG) and external legal and financial advisors.

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The legislation enables the province to provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework and the authority of the legislature to pass the legislation. The intent is to ensure that the full value of any investment is recoverable.

The legislation also enables the Province to guarantee borrowing of the trust in the event of a market disruption to mitigate OPG's financing risk. Specifics of these guarantees will be determined in agreements to be negotiated later this year.

The regulations further support the legislation in terms of providing clarity on the roles of the Ministry, OEB, IESO, and OPG.

As reported in the TB/MBC submission of May 9, 2017, it is still possible that the full value of the Regulatory Asset may not be purchased. In such cases, IESO may be able to retain the unsold amounts recorded in its variance account for a short period of time.

In addition, the Ministry has worked closely with the Ontario Financing Authority (OFA) and TD Securities (TD), as the Province's external financial advisor, on the financing structure (i.e., legislation, provincial guarantees, OPG's equity injections and IESO's enhanced credit facilities).

In particular, the legislation enables a structure that OFA and TD believe will enable financing at a reasonable cost. Key elements that support this financing structure include:

- OPG issuances of subordinated debt to the Special Purpose Vehicle(SPV)/Trust representing up to 49% of total borrowing; and
- Conditional (springing) guarantees by the Province that will include a backstop in the event of specific and limited events (e.g., changes to legislation that harm investor interests).

Note: The ability to finance and the cost of financing will only be known with certainty once OPG receives the rating of the offering in July/August 2017, seeks short term financing in September/October 2017 and sells the initial offering on the market by the end of October 2017. These milestones are contingent on the creation of the SPV/Trust to facilitate the subsequent sale of the Regulatory Asset by IESO to the SPV/Trust.

<u>OPG Financing / OPG Equity Financing</u>

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The ability to engage in the fair distribution of clean energy costs requires financing during periods where the collection of the clean energy costs is deferred to later years. The legislation outlines mechanisms that are required to enable the financing and meet requirements for rating agencies and investors.

As reported in the May 9, 2017 submission to TB/MBC, IESO will have a funding gap resulting from the reduction in amounts collected over four years. The legislation enables IESO to record the under-collection of GA in a variance account, and deems this under-collected amount to be a "Regulatory Asset".

- OEB would determine rates to allow IESO to recover under-collection recorded in its variance account.

- IESO is authorized to sell all or a portion to the OPG SPV/Trust under the Financing Plan.

As part of supporting the financing and administration of the GA refinancing mechanism, it is expected that OPG would purchase the right to future cash flows from IESO on an ongoing basis.

The sale of the regulatory asset from IESO to the OPG Special Purpose Vehicle (SPV)/Trust creates an "Investment Asset".

- The Investment Asset allows for the recovery of the under-collected GA as the Investment Asset may in turn be sold to other investors or group of investors.

The Ministry has worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation and regulations enables refinancing of the GA.

The general regulation sets out principles, assumptions and further clarity on process for the development of the financing plan and the implementation of clean energy adjustments to recover amounts related to funding obligations incurred under the terms of the financing plan.

Purchases would be financed in part by capital infusions from the Province to OPG for the purposes of stabilizing OPG's capital structure:

- OPG would require monthly "equity injections" from the Province which would be fiscally neutral as OPG would issue new shares to the Province in exchange;

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- Funds from the Province would flow from the Ontario Financing Authority (OFA); and

- The Ministry, OFA and OPG are working through the specific mechanisms, timelines and share features.

- It is anticipated that the initial equity injection would take place as early as June 2017.

In April 2017, the Ministry of Energy received approval for the creation of an operating asset "OPG Share Purchase" and an increase in operating asset allocation for $1.1 billion. This approval was dependent on the passing of the legislation (i.e., the OFHPA that received Royal assent on June 1, 2017).

OPG will provide a two-year forecast of its equity requirements to the Ministry on annual basis, as part of OPG's business plan process. Note: While included in the business plan, equity requirements will not form part of the Ministry of Energy's concurrence process and are expected to be fiscally neutral.

For future funding requirements, the Ministry will seek appropriation through the PRRT process.

OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. Credit ratings will depend on provisions in legislation, regulation and agreements as well as the capital structure of the SPV / Trust. Despite these factors, rating agencies may see the Province's rating forming a ceiling given the contingent guarantees that the Province will provide (described above).

In addition, given the long term nature of this program (i.e., approximately thirty-years), the calculations related to refinancing of the GA set out in the legislation will be subject to fluctuations in Ontario electricity demand, GA and interest rates in the medium to long-term.

- Should electricity demand be higher than forecast (e.g., as a result of greater electrification,), the cost of paying off the debt will be spread over a greater pool of consumption and decreasing future costs for individual ratepayers. Note: The reverse is also true in regards to decreasing demand.

- Should interest costs increase from the assumed 5%, total borrowing costs would rise. Given that this is a unique offering, managing investor confidence will be key to ensure borrowing costs don't rise. Note: The reverse is also true in regards to interest rates being lower than assumed.

<u>IESO's Credit Facilities</u>

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As report in the May 9, 2017 submission to TB/MBC, IESO is in discussions with the Ontario Financing Authority (OFA) regarding an increase to its current “line of credit” with the OFA and OEFC (i.e., credit facilities). The increases are in response to IESO role in the delivery of OFHP and to provide a necessary buffer to fund short periods where OPG SPV/Trust does not fund a shortfall.

IESO advises that this is important not only for IESO solvency, but also to maintain its credit rating (i.e., IESO’s contracted suppliers' credit arrangements are often based on IESO maintaining a certain rating).

IESO would require financing to compensate generators should it be required to hold any portion of the unpurchased Regulatory Asset beyond each monthly settlement period. OPG Trust is not expected to access public capital markets monthly, nor is it required to purchase the regulatory asset. Therefore, IESO will need a credit facility for interim financing. IESO may also require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.

The Ministry of Finance (MOF) is seeking an OIC under CIPA to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2 billion. This change will allow the OFA to enhance IESO credit facility as necessary to assist with the timely and successful implementation of the OFHP.

Accounting

As reported in the TB/MBC submission of May 9, 2017, legislation to enable GA refinancing has benefitted from the review and input of IESO/KPMG, OPG/E&Y and OPCD/E&Y.

The legislation establishes mechanisms to enable the funding, sale and transfer between IESO and OPG that respond to the accounting requirements and advice outlined in the March 1, 2017 Cabinet Submission, such as concerns regarding consolidation by the Province.

Under the legislation, OEB will issue an “accounting order” to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. This satisfies accounting concerns regarding OEB oversight in the establishment of the Regulatory Asset.

IESO will effectively sell the “right to collect” deferred future revenue from ratepayers to OPG in return for cash proceeds.

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The legislation and the associated amendments to the Electricity Act, 1998, enable OPG to create OPG's SPV/Trust as a stand-alone entity able to conduct business separately under a Trust agreement.

To recover its revenue shortfall, IESO will establish a Regulatory Asset that it would sell to OPG's SPV/Trust.

The general regulation provides further clarity on the process for establishing the asset and what costs are eligible for inclusion in the asset.

IESO / KPMG

As reported in the TB/MBC submission of May 9, 2017, the Ministry has worked closely with the Independent Electricity System Operator (IESO) and KPMG on the accounting considerations of GA Refinancing (i.e., legislation, applications of accounting standards/principles, minimizing consolidation risks and ability to establish a regulatory asset).

In particular, the legislation provides a structure that IESO and KMPG – in the accounting opinion they provided to IESO – believe meets the necessary accounting requirements. Key elements include:

- An IESO variance account created by the legislation that would be recognized as a "regulatory asset".

- An Ontario Power Generation (OPG) special purpose vehicle (SPV) / Trust that would not controlled by IESO and thus have no consolidation risk for IESO.

In addition, KMPG provided some commentary on the accounting requirement for the "derecognition" of the regulatory asset once it's sold to OPG SPV/Trust. KPMG advised that the regulatory asset should be derecognized upon transfer to the OPG SPV/Trust as IESO no longer has rights or obligations to the asset (i.e., the transformation from a regulatory asset to an investment asset).

OPG/ E&Y

As reported in the TB/MBC submission of May 9, 2017, the Ministry has worked closely with Ontario Power Generation (OPG) and E&Y, on the accounting requirements to enable GA Refinancing with respect to consolidation (i.e., legislation, applications of accounting standards/principles, establishing a special SPV / Trust).

The legislation and the associated amendments to the Electricity Act, 1998, enable OPG to create OPG's SPV/Trust as a stand-alone entity able to conduct

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business separately under a Trust agreement. Note: To further support the operations and mechanics of the OPG SPV/Trust, additional work will be done through the regulations and supporting agreements/documents.

- OPG will have the authority to set up the SPV/Trust and assign it with powers regarding decision-making, funding and ongoing operation.

- OPG and IESO are developing a process that will allow interest payments to occur under GA Refinancing.

Based on the legislation, key operating conditions being addressed in regulations and supporting agreements/documents and no introduction of new conditions that would conflict with OPG's control of the SPV/Trust, E&Y concurs with OPG's assessment that the accounting requirements to support "consolidation" of OPG SPV / Trust with OPG Inc. can be met.

Legal

The legal risks flagged in the May 9, 2017 submission to TB/MBC have not changed.

In principle, refinancing the Global Adjustment (GA) to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets.

Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.

Former Supreme Court Justice Ian Binnie has provided a legal opinion concluding that the current proposal is at a moderately high risk of being a tax, for the following reasons:

The degree of constitutional risk is in direct proportion to the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year from electricity generated by those facilities.

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If the government fails to establish that the relevant electricity generating assets will continue to perform economically over the 30-year period, or if the GA charge is in the opinion of the Court disproportionately backend loaded, the GA will not qualify as a regulatory charge (and would be characterized as a tax).

By shifting costs to the 20-30 year customers, the government may in reality be disproportionately back-end loading the GA with the effect that the 20-30 year consumers will be subsidizing the 1-20 year consumers.

The judges can be expected to be aware of the difficult political problem of high energy costs in in Ontario, and will take a careful look at the government's evidence in support of the re-allocation of the GA.

The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period. Limiting the near-term rate reductions to such amounts which can be justified as counterbalancing disproportionate GA payments during the 2005-2017 period ensures that the statutory 25% reduction is consistent with proportionate reallocation.

Navigant Analysis

Navigant Consulting, Inc. has been retained to provide its assessment of the expected lives of clean energy asset, as well as a fair allocation of the costs of these assets over the expected lives.

Navigant has focused on the costs and benefits of procuring natural gas, wind, and solar generation, as well as costs associated with conservation and the early retirement of Ontario's coal assets.

The Navigant scope of work includes:

- Research and analysis to ascertain the likely service lives of gas generating, solar and wind facilities from a largely technical point of view;
- Analysis related to the expected cost of extending the service lives of facilities under contract with IESO; and
- Determining the annual cost of a refinanced contract that provides the same value as each generator's actual contract but is extended over the expected life of each generator.

Ontario ratepayers currently pay for the costs of its gas, wind, and solar generators over the life of power purchase agreements (PPAs), which generally run for twenty years. Provincial ratepayers also pay for conservation procurement as costs are incurred, and over the period of 2009-2014 paid for the early shutdown of provincial coal plants on an accelerated schedule.

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Given that the clean energy and conservation benefits associated with the assets occur over the entire of life of the asset, there is an opportunity to define an alternative financing methodology that better aligns the costs with benefits.

Navigant is in the process of finalizing its work.

2) Social Programs: PLACEHOLDER FOR SNAP UPDATES

Program Design

Ontario Electricity Support Program (OESP)

The OESP is an income-tested, application-based program that lowers electricity costs of the most vulnerable consumers by a rebate directly on bills. The OESP is currently funded by the rate base.

OESP credits vary by income level and family size, and there are two credit scales that include:

- The basic program credit originally ranged from $30/month to $50/month. The new credit amounts came into effect May 1, 2017 and range from $35/month to $75/month.

- An enhanced credit, which originally ranged from $45/month to $75/month for consumers that are either Indigenous, use electric heat or use certain electrically intensive medical devices. The new credit amounts came into effect on May 1, 2017 and range from $52/month to $113/month.

Ontario's Fair Hydro Plan (OFHP) committed to move the program from the rate base to the tax base, and to expand the OESP by increasing the credit amounts by 50 per cent, making more Ontarians eligible for the program, and aligning the OESP with other social assistance programs to increase uptake. Recently approved legislative changes have enabled the transition of the program to the tax base, which will be enacted by a subsequent proclamation and associated regulatory changes.

In the meantime, amendments to the OESP regulation (O. Reg. 314/15) are being proposed in order to enable alignment of OESP delivery with social assistance programs delivered by MCSS.

The proposed amendments to O. Reg. 314/15 will facilitate the processing of OESP applications by MCSS on behalf of SA clients pursuant to an agreement with the Minister or the OEB, and help meet the government's goal of substantially increasing uptake in the OESP.

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Roles and Responsibilities

Ontario Electricity Support Program

The OEB will continue to deliver the OESP under the current legislative framework until the variance account is depleted. When legislative changes to shift the program from the rate base to the tax base are proclaimed, the OEB will continue to administer the program, but certain decision making responsibilities and oversights will shift to the Minister of Energy.

Second, OEB and its OESP delivery consultant – ICF Consulting – will help MCSS to expeditiously prepare for implementation by providing training materials and technical support for MCSS system changes. The amount of the original contract between ICF and the OEB is $12 million. Cost impacts are expected to be minimal and are covered by the OEB's existing authorities to cover administration costs related to the OESP using the OESP variance account.

MCSS will be responsible for implementing the proposed regulatory changes once an agreement has been entered into between the Minister and/or the OEB and MCSS, which were designed to support a strategy jointly developed by ENERGY, the OEB, and MCSS to meet the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery.

The IESO will continue to manage payments to utilities, unit sub-meter providers, and the OEB in relation to OESP credit delivery and program administration costs. When legislative changes are proclaimed, IESO will begin reporting costs to the Ministry to support forecasting and audit.

4.0 BACKGROUND

Legislation to Implement Ontario's Fair Hydro Plan

On May 11, 2017, the government introduced Bill 132, *Fair Hydro Act, 2017* (FHA) which is comprised of two Schedules:

- Schedule 1 – is the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) and related amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* (OEBA); and

- Schedule 2 – includes the electricity social program-related amendments to the *Ontario Energy Board Act, 1998.*

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On May 31, 2017, the Bill passed third reading and received Royal Assent on June 1, 2017.

Legislation to Implement GA Refinancing

To enable implementation of GA refinancing and mitigate financing, accounting and legal risks, the *Ontario Fair Hydro Plan Act, 2017* outlines:

- Roles and responsibilities for the OEB, IESO, OPG and the Province;
- A detailed Preamble, Purpose and Definitions;
- Details with respect to Fair Adjustment, Clean Energy Adjustment, Implementation (i.e., Financial Services Manager, Fair Allocation Amount, Financing Plan), Regulatory Asset and Investment Asset;
- Scope of provincial undertaking and enabling the Province to provide guarantees and indemnities to back stop that undertaking; and
- Amendments to other acts (i.e., *Electricity Act* and *Ontario Energy Board)*.

The legislation defines the mechanisms and framework that would achieve the refinancing of the GA.

The Ministry has worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent advisors and third party financing in the development of the legislation.

To support the implementation of GA refinancing under the *Fair Hydro Act, 2017*, the Ministry has developed supporting regulation:

- Creating a new Regulation ("General Regulation") to be made under the Ontario Fair Hydro Plan Act, which is Schedule 1 of the Fair Hydro Act, 2017.
- The proposed regulation supports key aspects of the OFHPA including:
    - The details around the establishment and transfer of portions of the regulatory asset;
    - The establishment of the OFHPA-related deferral and variance account to be held by the Independent Electricity System Operator (IESO);
    - The definition and details regarding the "funding obligation" which relates to the recovery of moneys borrowed by OPG/SPV to fund GA refinancing;

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- Methodology related to the calculation of the Clean Energy Adjustment (i.e., the total amount payable by electricity consumers each reference period);
- Determination of rates and amounts related to the recovery of the Clean Energy Adjustment under which regulated rate consumers must be invoiced and which must be used in the calculation of rates for non-regulated consumers;
- Requirements on the IESO, LDCs, retailers and unit sub-meter providers (USMPs) in relation to the collection of amounts in respect of the Clean Energy Adjustment from electricity consumers;
- OEB's role in the review of fees incurred by Financial Service Manager (i.e., the fees related to the ongoing operation of the Financial Services Manager during the period of GA Refinancing);
- Details related to the methodology to be used by the Minister in the calculation of the Fair Allocation amount (i.e. a calculation of the fair allocation of clean energy costs over time);
- Further criteria related to the development and implementation of the Financing Plan by the Financial Services Manager.

Ontario Electricity Support Program (OESP)

The OESP launched on January 1, 2016. By the end of May 2017:

- Almost 200, 000 have been enrolled in the program, which is approximately 35% of all potentially eligible low-income customers in Ontario.
- Over $60 million in credits have been provided to vulnerable consumers.
- 172 intake agencies have been mobilized to assist low income consumers to apply for the OESP.

5.0 TIMING

Under the *OFHPA*, a portion of the GA will be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Some of Ontario's Fair Hydro Plan commitments for the OESP came into effect on May 1, 2017 (e.g., removal of the OESP charge from customer bills; expanding credit amounts and program eligibility). Remaining changes associated with moving the program from the rate-base to the tax-base will be proclaimed at a later date when the OESP variance account is depleted.

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Additional regulatory amendments needed to implement this legislative change will come into effect on the same date.

Further work to enable GA refinancing to be undertaken Summer/Fall 2017:

- Minister to determine the Fair Allocation Amount for each reference period;
- OPG/SPV to produce Financing Plans that would set out funding obligations for each reference period consistent with the Fair Allocation Amount;
- IESO to record deferral amounts and establish the regulatory asset;
- OPG/SPV to begin purchasing of investment asset; and
- OPG to work with lenders and credit rating agencies in establishing the vehicles for selling of investment asset interests.

6.0 FINANCIAL IMPACT

1) GA Refinancing:

The General regulation would support the implementation of GA refinancing, including methodology, principles and assumptions related to various aspects of the initiative (e.g., fair allocation amount). By achieving the accounting treatment described in this, and previous, submissions, the initiative is not expected to have a financial impact.

2) Social Programs:

Cost impacts for the amending O. Reg. 314/15 are expected to be negligible. There is significant overlap between the financial eligibility for the OESP and other social assistance programs, resulting in very few occurrences where SA clients do not meet the current OESP eligibility requirements.

As reported in the TB/MBC submission of May 9, 2017 and as approved in the TB/MBC submission of March 1, 2017 and confirmed in Vote-Item 2905-1, the financial impacts of the social programs for the period July 1 2017- March 31 2018 are as follows:

Program	2017-18 Budget
Ontario Electricity Support Program	140,000,000

The cost forecasts for these programs were made through a combination of Ministry analysis that utilized consumption data and local distribution

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company rates to estimate program costs, and information provided to the Ministry by the Ontario Energy Board. Cost forecasts are subject to some uncertainty surrounding consumer uptake, future consumption levels, and future rates as set by the OEB.

ENERGY will report back to TB/MBC in fall 2017-18 with an update on out-year projections following analysis on rate applications before the Ontario Energy Board.

The IESO manages a variance account for the OESP, which holds the difference between the amount of OESP charge collected from the rate base, and the amount of OESP paid out in the form of credits. The amount in the variance account is about $106 million as of May 2017. These funds will be used to fund the OESP program until the variance account is depleted, at which point the transfer payment line will be used to finance the program costs. Due to the potential range in costs of the OESP, which will depend on program uptake and any costs associated with supporting increased participation, the set allocation is required despite the variance account.

Per the Regulations, the Ministry has the authority to request social program costs forecasts from the OEB.

7.0 STAKEHOLDER ANALYSIS

Stakeholder	Comments
Eligible Electricity Consumers	• As a result of OFHP, eligible electricity consumers will welcome the immediate reduction in electricity bills that they will experience in the short to medium term.
Electricity Agencies	• In the development of legislation to enable implementation of OFHP, the Ministry has been working closely with OEB, IESO and OPG and their independent advisors.
Local Distribution Companies (LDCs)	• The Ministry hosted LDC workshop sessions on March 16, April 19, and May 17, 2017. Nearly 40 LDC representatives attended in person or by phone and were briefed on OFHP, including implementation. The Ministry has also held separate engagements with LDCs in particular to the social programs.
Government (MCSS)	• ENERGY has been engaging with MCSS and the OEB for several months to develop a strategy for meeting the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery. The joint strategy instructed the recent amendments to the OEBA, and the changes to O. Reg. 314/15 that are being proposed in this submission.

8.0 RISK ASSESSMENT AND MITIGATION – UPDATES

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
1) Global Adjustment (GA) Refinancing			
Maintaining OPG's Financial Viability / Capital Structure	L	H	• OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Energy). • Equity injections are necessary to support OPG as the owner and manager of GA refinancing. The equity injections allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • In order to provide financing, OPG would develop a special purpose vehicle (SPV). • OPG has a great deal of experience managing the risks associated with borrowing through its experience developing capital-intensive generation projects as well as their management of Nuclear Funds. • OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. **Update:** • Work is ongoing to finalize a draft term sheet that would serve as the basis for the Master Subscription Agreement between OPG/ENERGY and OFA. In addition, OFA and ENE to develop Service Level Agreement for monthly cash management services.
OPG Securing Capital Markets Funding	L	H	• OPG will need to obtain a portion of the required funding from the capital markets. • The Ministry, IESO, OPG and other ministries have worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation enables refinancing of the GA. • In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will use 100% debt financing to purchase the regulatory asset, financing 51% through capital markets as senior

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			debt, with the remaining 49% being provided by OPG as subordinated debt. U • The 49% subordinated debt from OPG will be financed through debt OPG issues in its own capacity, through capital markets (up to 5%) with the remainder (44-49%) financed through equity injections from the Province. This will help to ensure OPG's capital structure remains in line. **Update:** • The legislation and proposed general regulation were developed with input from third-party financiers (i.e., dealers) to ensure that the *OFHPA* enables the refinancing of the Global Adjustment (GA). • OPG is continuing to work through the mechanics of securing financing (e.g., engaging rate agencies, etc). • In addition, in order to provide assurances to those with claims against the "Financing Entity" (e.g., 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 IESO are carried out including obligations related to collecting and remitting clean energy adjustments. Working is ongoing.
Managing Interest Cost Risks	M	H	• OPG's Special Purpose Vehicle (SPV) / Trust is borrowing in its own corporate capacity from the capital markets. • Risk that it may incur a higher interest cost than what was originally forecast (i.e., 5%). **Update:** • The legislation and proposed general regulation were developed with input of third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the GA

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			• The provincial guarantee as set out in legislation should provide comfort to dealers, thereby increasing the likelihood of achieving more favourable interest rates. • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
Provincial Guarantee is Triggered	L	H	• The legislation sets out that the province could provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework. The intent is to ensure that the full value is recovered. • The legislation also enables the Province to: o Through the Ministers of Energy and Finance upon approval by Lieutenant Governor in Council, agree to guarantee any debts and obligations **<u>Update:</u>** • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
IESO Failure to Establish a Regulatory Asset / Maintaining IESO Financial Viability	L	H	• Under the legislation, the Ontario Energy Board (OEB) is providing the necessary oversight required to enable IESO the ability to establish a Regulatory Asset. • To recover its revenue shortfall, IESO will establish it as a Regulatory Asset that it would sell to OPG's SPV / Trust. • The OEB will issue an accounting order to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. • IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			OPG SPV, at any time, does not purchase a portion of the regulatory asset. **<u>Update:</u>** • IESO has received an accounting opinion from KPMG that concurs with IESO's view that it has the ability to establish the regulatory asset. • In addition, OFA is planning to increase IESO's credit facility to support its role in implementing the OFHPA. OFA is seeking an OIC that would authorize the OFA to borrow an additional $2.0 billion, which would be in addition to existing authority for the Minister of Finance to provide loans to the OFA, to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requested requirements.
GA Refinancing Approach is Viewed as an Indirect-tax	L	H	• In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets. • Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax. • The legislation attempts to mitigate the risks identified above by requiring that

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			the costs moved into the future align with the benefits that future rate payers will receive. To create the flexibility to achieve this requirement, the amounts of the costs and benefits will not be enshrined in the legislation. **<u>Update:</u>** • The legislation was designed to mitigate this risk. • The Fair Allocation Amount, the process for which is further clarified under general regulation, will help to ensure that the allocation of costs associated with electricity generation facilities is reflected over the term of GA Refinancing.
2) Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP) *3)*			
Social Program Cost Estimating	M	M	• OESP costs will depend on uptake of the program, which will be impacted by the 50% increase in credits, enhanced eligibility, and work with MCSS on aligning OESP delivery with their social assistance programs • Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to ensure access to data for regular forecasting. • A mechanism would be created in regulation to ensure that all parties are aligned in the yearly forecasting and costing of the program. • Social program regulations include provisions to require the IESO and the OEB to provide the Ministry with information required to update cost projections based on up-to-date figures.

9.0 JURISDICTIONAL ANALYSIS

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GA Refinancing approached outlined in the legislation is modelled on frameworks used in the United States (e.g., Duke Energy), where utility debt is financed by selling it to investors with recovery from ratepayers over time.

The Ministry conducted no jurisdictional analysis related to the expansion of social program funding for OESP as the structure of Ontario's electricity sector, and thus the delivery of these benefits, is unique.

10.0 PERFORMANCE MEASURES

With respect to OESP, ENERGY will continue to track the performance of the OESP program with a focus on collecting metrics related to program uptake.

The Ministry and the OEB have engaged with the Behavioral Insights Office at the TBS to consider ways to increase program participation. Discussions are ongoing.

12.0 RECOMMENDATION

1) The Ministry of Energy is reporting back to the Treasury Board/Management Board of Cabinet (TB/MBC) on the following:

    i. Implementation of Global Adjustment (GA) Refinancing; and

    ii. Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP).

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TREASURY BOARD / MANAGEMENT BOARD OF CABINET
REQUEST ASSESSMENT NOTE

Ministry:	Energy
Meeting Date:	June 27, 2017
Agenda Class:	Major Item
Last reviewed by: TB/MBC – June 13, 2017	**Tracking to: Fast Track** LRC/Cabinet – June 27, 2017

SUBMISSION TITLE:	Report back on Ontario Fair Hydro Plan – Regulations Part 2 of 2

I. DECISION BEFORE THE BOARD

Receive the second of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding Cabinet for approval

II. RECOMMENDATIONS:

• Receive the second of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to for approval including: o Global Adjustment Refinancing; o Ontario Electricity Support Program (OESP)	*Receive*
Note key aspects and program parameters of the proposed regulations	*Note*
Recommend the proposed regulations proceed to Cabinet for approval	*Recommend*
• Direct the Ministry to report back to TB/MBC on: o Details of its overall strategy to substantially increase OESP enrolment (note: includes increasing Social Assistance clients enrolled in OESP).	*Direct*

III. FINANCIAL SUMMARY

$ Millions	**2017-18**	**2018-19**	**2019-20**
Initiative cost requested	0.0	0.0	0.0
Initiative cost recommended	0.0	0.0	0.0
Recommended program base: Global Adjustment Refinancing*	0.0	0.0	0.0
Electricity social programs – OESP ^	140.0	261.0	325.0
Offset Recommended	0.0	0.0	0.0
Total Potential Fiscal Impact	0.0	0.0	0.0

*As part of Global Adjustment Refinancing, an Operating Asset for $1.1B for OPG Share Purchase was included as part of 2017 Budget.

^Multi-year appropriation approved as part of the 2017 Budget.

IV. KEY COMMENTS AND CONSIDERATIONS

In March 2017, the Ministry received Treasury Board/Management Board of Cabinet (TB/MBC) approval for electricity price mitigation measures that support a 25% electricity bill reduction on average (including the 8% Ontario Rebate For Electricity Consumers announced in 2016). The Ontario Fair Hydro Plan (OFHP) was announced on March 2, 2017.The plan includes refinancing a portion of the Global Adjustment (GA) and helping vulnerable electricity consumers ("social programs") amongst other initiatives for residential consumers (see Appendix C). The Ministry was directed to report back to TB/MBC on a number of items including the proposed legislation required to enact the initiatives under

OFHP (see Appendix D).

Report backs to date include:

- May 9th 2017, the Ministry provided an implementation update on the OFHP and the enabling legislation. TB/MBC recommended the proposed legislation proceed to Cabinet for approval and Ontario's *Fair Hydro Act, 2017* ("the Act") received Royal Assent on June 1, 2017. The Ministry was directed to report back to TB/MBC on a number of items including the proposed regulations required to support the implementation of the OFHP (see Appendix E).

- June 13, 2017, the Ministry provided the first of two updates on next steps in implementation of the OFHP, specifically providing the proposed regulations that would establish and amend the necessary regulations under the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998*, *Ontario Rebate for Electricity Consumers Act, 2016*, and the *Fair Hydro Plan Act, 2017*.

Proposed Regulations

The current submission before the Board is the second bundle of proposed regulations supporting implementation of the OFHP and would establish and amend regulations under the *Ontario Energy Board Act, 1998 and the Ontario Fair Hydro Plan Act, 2017*, related to GA Refinancing and the Ontario Electricity Support Program (OESP).

Implementation of Global Adjustment (GA) Refinancing

On March 2, 2017, as part of OFHP, the government announced that a portion of the GAs would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

As Part 2 of the regulations report back (Part 1 was before the Board June 13, 2017), The ministry is proposing a new General Regulation under the OFHPA that would support the implementation of the refinancing of the GA by ensuring that the mechanisms for refinancing of GA as set out under the *OFHPA* are in place in time for the first debt offering in fall 2017:

- Roles and responsibilities of the Financial Services Manager (FSM) (i.e., OPG), OEB, and IESO in relation to the refinancing of GA
- Require that the clean energy adjustment be a specific line item on bills and that LDCs keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM)
- Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account
- Provide further criteria related to the development and implementation of the financing plan by the FSM
- Provide for further principles that must be taken into account by the Minister of Energy in the calculation of the fair allocation amount (i.e., commodity prices, interest rates, inflation, population, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

IESO Credit Facility

The Ministry of Energy indicates the IESO is responsible for financing short to medium term funding shortfalls in the implementation of Ontario's Fair Hydro Plan. This was noted by the Board as part of the legislative package brought on May 9, 2017.

To support this, the Ministry of Finance (MOF) is seeking an Order in Council (OIC) to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2B, which will provide the OFA with the capacity to provide additional loans to the IESO in order to fulfil the commitments under the Fair Hydro Act, 2017. The Capital Investment Plan Act (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").

The Ministry indicates further work to enable GA refinancing will be undertaken Summer/Fall 2017:

- Minister to determine the Fair Allocation Amount for each reference period;
- OPG/SPV to produce Financing Plans that would set out funding obligations for each reference period consistent with the Fair Allocation Amount;
- IESO to record deferral amounts and establish the regulatory asset;
- OPG/SPV to begin purchasing of investment asset; and
- OPG to work with lenders and credit rating agencies in establishing the vehicles for selling of investment asset interests.
-

(Energy, perhaps additional section outlining what will regularly be coming before TB/MBC once OFHP is underway)

Delivery of Electricity Social Programs:

Ontario Electricity Support Program

The ministry is proposing amendments to the existing Ontario Electricity Support Program (OESP) regulation that will enable the Ministry of Community and Social Services to help new and existing social assistance clients to enroll in the OESP.

The amendments are in support of efforts to increase enrollment by reducing application burdens on target populations and enable the development of automatic OESP enrollment procedures for some populations already receiving other government programming (in this case already receiving social assistance).

- MCSS and Energy intend to bring a temporary resources request to the July 25, 2017 TB/MBC meeting. Early indications suggest about 50 temporary FTEs within MCSS and Energy providing the funding to support increasing enrolment of Social Assistance clients onto OESP.
- The March 1, 2017 Board Minute included direction to pursue additional measures to substantially increase OESP take-up. The Ministry indicates OESP enrolment is about 35% of the targeted low-income population (about 575,000 target population). Stats provided by MCSS indicate just over 109,000 Social Assistance clients being eligible for OESP (as they receive hydro bills directly), but MCSS does not know the portion of the 109,000 that are already OESP recipients.
    - As part of the July 2017 joint submission from MCSS and Energy, Energy should provide commentary on its overall strategy to move OESP towards 100% participation (This engagement of MCSS would be part of the strategy).

The Ministry indicates it will return to LRC/Cabinet in the Fall 2017 with a proclamation OIC to finalize transfer of the OESP from the IESO variance account to government funding. This timing is consistent with previous submissions and ensures the variance account is drawn down before government funding is provided.

On-Reserve First Nations Delivery Credit (FNDC)

The Ministry is proposing a correction to the recently established FNDC regulation to add "licensed distributor" in front of "serving Cat Lake First Nation."

Analysis/Risks

TBS staff noted as part of the May 9, 2017 submission focused on OFHP legislation indicated that financial, legal, and accounting external opinions and assessments of the planned approach to GA refinancing are supportive of the Ministry's intended plan for implementing Ontario's Fair Hydro Plan, noting the opinions and assessments must be revisited once key implementation details are finalised (e.g. draft legislation, regulations, special purpose vehicle documents, terms of conditions within various other agreements).
Future reassessments, Navigant's analysis of expected lifecycle for existing generation infrastructure (key), and other factors such as Ontario electricity demand, interest rates in the medium to long-term, and the rate of inflation may contribute to fiscal plan implications emerging over time.

This assessment has not changed with the current submission. The Ministry indicates Navigant's analysis is still pending along with finalized details for elements such as the special purpose vehicle documents, and terms/conditions within various other agreements.

Financial

- The multi-year fiscal profile identified by the Ministry as part of this submission (below) are consistent with the voted appropriation approved for the Ministry through the 2017 Budget. Cost forecasts for these programs were made through a combination of Ministry analysis that utilized consumption data and local distribution company rates to estimate program costs, and information provided to the Ministry by the OEB.

$M	2017-18	2018-19	2019-20	2020-21
Ontario Electricity Support Program (OESP)	140	261	325	375

- The Ministry notes it is currently assessing the potential impact of the Hydro One rate application and will report back to TB/MBC with the potential out-year impacts of this rate application.
- The allocations for the social programs are based on a number of variable inputs such as program uptake, electricity market conditions and forecasting models that are subject to change and represent an on-going fiscal risk. Sensitivity analysis will allow the government to develop a risk based outlook to understand potential fluctuations in the cost of these initiatives.
- There are no sunset dates for the programs and it is important to understand the full cost of the initiatives (including electricity price projections) for the longer term, beyond the year 2021-22.
- Lastly, further information is required on the detailed consumer impacts with assumptions and methodologies specified and documented to support better decision making and achieving the intended program goals.

Accounting

- The fiscal impact associated with the OFHP will be determined by how the series of complex transactions are accounted for on the Province's Consolidated Financial Statements which are prepared in accordance with public sector accounting standards established by CPA Canada. A number of details yet to be finalized through the regulations and various commercial agreements will impact the final accounting analysis.

- While accounting for the social programs and the Affordability Fund as transfers is fairly straightforward, the accounting for the GA mechanism is relatively more complex. To mitigate accounting risk associated with the latter, both the IESO's and OPG's external auditors have provided independent accounting opinions on the appropriate accounting for elements of the OFHP structure related to each entity, contingent on finalization of regulations and commercial agreements. Based on the audited financial results for these organizations, supported by the anticipated accounting opinions, the Office of the Provincial Controller will prepare the Province's consolidated financial statements based on public sector accounting standards.
- At this time, the Auditor General (AG) has not identified any concerns related to the accounting for the social programs or the Affordability Fund; however, the AG has voiced concerns regarding the planned accounting treatment for the OFHP as related specifically to the GA component which is expected to impact the Province's financial results for the first time in 2017-18. The AG has also publicly communicated her opposition to a change in the IESO's accounting policy to reflect rate regulated balances on its books. The Province supports the IESO's accounting treatment as more fairly presenting the economic substance of the entity's market-related activities.
- The AG is currently reviewing the Province's accounting analysis related to the Affordability Fund which reflects a $100M transfer payment to be reflected in the Province's 2016/17 Public Accounts.
- If the AG does not concur with the Province's accounting treatment, including the change in accounting treatment by the IESO, the AG may provide a qualifed audit opinion on the Provinces' financial statements in the Public Accounts.

Legal

- The ministry has stated the legal risk remains the same as identified at the May 10, 2017 Cabinet meeting regarding the *Fair Hydro Plan Act, 2017*, including and related to:

GA Refinancing

- In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets present only a low risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets.
- Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the asset, but rather is doing so in order to lower the price in the short term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.
- The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period.

The Ministry has provided an update to key risks including mitigation strategies (see Appendix G). The overview of strategic risks, from May 9 2017 TB assessment note, has been brought forward providing context for the more operational nature of Appendix G.

In addition to the risks cited in Appendix G in the implementation of the OFHP, a number of supporting arrangements are being sought by the IESO and OPG, including the following:

Indemnities for OPG (Ontario Power Generation) and IESO

- OPG and IESO have requested indemnities from the Province for their respective Directors, Officers and employees in relation to their roles in the implementation of the OFHP. Ministry of Energy staff are putting together a section 28 approvals submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO.sw
    - IESO and OPG have stated that these indemnities are required for their participation in the implementation of the OFHP Act.
    - Draft materials from Energy state that the likelihood of this indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
    - Energy has confirmed in its draft request letter that it bears responsibility for funding, within its approved allocation, for payments associated with the indemnities provided under the Agreements.
- As currently proposed, the Minister of Finance will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.

Provincial Support Agreement or Provincial Guarantee Agreement

- As part of the OFHP and in order to provide support to those with claims against the Financing Entity (i.e., planned to be the OPG Trust) and with the ultimate objective of providing the highest possible credit ratings (and corresponding impact on interest costs to the ratepayers), the Province has been asked to provide both a Service Guarantee and a Performance Guarantee to support obligations of the IESO and the debt instruments issued by the Financing Entity.

Additional Report Backs

The Ministry has been asked to provide an update on outstanding report backs from OFHP related previous submissions. Appendix H contains the table sent to the Ministry, update is still pending.

As indicated earlier, this assessment note recommends Energy provide, as part of the joint submission with MCSS tracking to July 25, 2017 TB/MBC, an overview of its strategy to significantly increase OESP enrolment.

Name of analyst:	James Strang/ Afshin Malekzadeh with input from OPCD, OFA and CoE	**Phone number:**	416-327-2071
Date:	June 24, 2017	**Log number:**	
Branch / Division:	GGPR / PEMD / Treasury Board Secretariat		

APPENDIX A: PROPOSED MINUTE

Receive the second of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

i) Note that the proposed new regulations and amendments to existing regulations include the following program parameters:

Electricity Social Programs:

Ontario Electricity Support Program (OESP)

a) To enable Ministry of Community and Social Services to sign up social assistance clients for OESP based upon Ontario Works (OW) and Ontario Disability Support Program (ODSP) eligibility criteria, and matching this eligibility to the existing OESP household size / income credit table.

On-Reserve First Nations Delivery Credit (FNDC)

a) A correction to the recently established FNDC regulation to add "licensed distributor" in front of "serving Cat Lake First Nation."

Implementation of Global Adjustment (GA) Refinancing:

a) Roles and responsibilities of the Financial Services Manager (FSM) (i.e., OPG) and OEB and IESO in relation to the refinancing of GA:
b) Require that the clean energy adjustment be a specific line item on bills and that LDCs keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM);
c) Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account;
d) Provide further criteria related to the development and implementation of the financing plan by the FSM;
e) Provide for further principles that must be taken into account by the Minister of Energy in the calculation of the fair allocation amount (i.e., commodity prices, interest rates, inflation, population, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

ii) Recommend the following proposed new regulations and amendments to existing regulations proceed to Cabinet for approval:

a) New General Regulation to be made under Part I of the *Ontario Fair Hydro Plan Act, 2017*, which is Schedule 1 of the *Fair Hydro Act, 2017*
b) Amendments to O. Reg. 197/17 (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998* (OEBA)

c) Amendments to O. Reg. 314/15 (Ontario Electricity Support Program) to be made under the OEBA

iii) Direct the Ministry to report back to TB/MBC with details of its overall strategy to substantially increase OESP enrolment, as part of the pending joint submission with MCSS to increase Social Assistance clients enrolled in OESP.

APPENDIX B: FINANCIAL TABLES

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE					TABLE B1
		Fiscal Plan Basis			*Appropriations Basis*
$ Millions		**2017-18**	**2018-19**	**2019-20**	**2017-18**
Initiative cost		0.000	0.000	0.000	
Expense changes:					
	Oper	0.0000	0.000	0.0000	0.0000
	Oper	0.0000	0.0000	0.0000	0.0000
Total Fiscal Impact		**0.0000**	**0.0000**	**0.0000**	**0.0000**

APPENDIX C: OFHP OVERVIEW

Ontario Rebate for Electricity Consumers

The *Ontario Rebate for Electricity Consumers Act, 2016* will reduce electricity costs by 8 per cent on the amount before tax, an average savings of about $130 annually or $11 each month, for about five million residential consumers, farms and small businesses.

Eligible rural electricity ratepayers will receive additional relief, decreasing total electricity bills by an average of $540 a year or $45 each month.

Commercial, institutional and industrial ratepayers would also benefit from up to 34 per cent lower electricity costs through the expansion of the Industrial Conservation Initiative.

Details:

- The province is reducing costs for eligible rural ratepayers by providing additional funding to the Rural or Remote Rate Protection (RRRP) program.
- The Industrial Conservation Initiative (ICI) provides a strong incentive for large electricity consumers to shift their electricity consumption to off-peak hours to reduce their bills by up to one-third. Ontario intends to expand ICI to help reduce cost pressures on the electricity system and enable more consumers to reduce their electricity bill by up to one third.
- Ontario has removed the Debt Retirement Charge from residential electricity bills and introduced the Ontario Electricity Support Program (OESP) to provide a monthly credit to low-income households who have applied and meet the eligibility requirements to help reduce electricity costs.

Fair Hydro Act

The *Ontario Fair Hydro Act, 2017* reduces electricity bills for all residential consumers and as many as half a million small businesses and farms, starting this summer. Lower-income Ontarians and those living in eligible rural and northern communities will receive even greater reductions, as much as 40 to 50 per cent. As part of this plan, rate increases will be held to the rate of inflation for four years.

These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills. Taken together, these changes are delivering the largest reduction to electricity rates in Ontario's history. To facilitate these immediate savings, the legislation:

Details:

- Enables the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This will be accomplished through refinancing a portion of the Global Adjustment (GA), resulting in significant and immediate rate reductions.
- Modifies and broadens the Ontario Electricity Support Program (OESP) to expand benefits and ensure it is funded by government instead of ratepayers, reducing bills for all.
- Enhances the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to a total of approximately 800,000 customers and shift costs from ratepayers to provincial revenues. The enhancement will benefit customers served by local distribution companies (LDCs) with the highest distribution rates. These savings will begin July 1, 2017.
- Provides on-reserve First Nations households serviced by licensed distributors with a 100 per cent credit of the delivery line on their monthly electricity bills, starting July 1, 2017.

APPENDIX D: PREVIOUS TB/MBC MINUTE (MARCH 1, 2017)

Approve electricity rate mitigation actions that support up to a 25% electricity bill reduction (including the 8% reduction announced in 2016) for an average household in 2017.

In this regard, the Board:

i. Direct the Ministry of Energy to implement electricity rate mitigation for all electricity consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan (RPP) and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor by:

   a) Subject to completed legal, accounting and financing risk assessments, refinance the Global Adjustment (GA) in order to partially defer RPP-eligible ratepayer GA costs by reducing projected after-tax electricity costs for a typical residential customer consuming 750kWh per month in 2017 by about 16%. Total projected bill increases will be kept in line with CPI until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures gradual recovery of the accumulated debt by 2048, with escalation in subsequent years set above Consumer Price Index (CPI) in order to ensure that bill increases due to repayments are capped at around 10% of the total bill.

   b) Direct the Ministry to report back to TB/MBC by Spring 2017, prior to going to LRC with any legislation, on the approach to refinance Global Adjustment , including, but not limited to:

      - Formal accounting opinions from OPG and IESO auditors.
      - Completed legal, financing and accounting risk assessments. Assessments to include, but not limited to proposed legislation, technical aspects such as Eurig analysis, and risk to borrowing (in discussion with the OFA).
      - Report on the multi-year profile of GA smoothing, identifying specific assumptions.
      - Report on sensitivity analysis completed as assumptions vary, such as under different recovery rates and periods.
      - Overall risk mitigation plan addressing completed legal, accounting and financing risk assessments.

   c) If a non-fiscal mechanism cannot be established:
      1. Direct the Ministry to report back to Cabinet and TB/MBC with options for achieving a comparable level of electricity rate mitigation in the most cost effective way, in order to minimize the impact on the province's fiscal plan.
      2. Note costs to government of proceeding if cost of refinancing of Global Adjustment is recognized as an expense in the fiscal plan of up to $2,534,000,000 in 2017-18, $2,668,000,000 in 2018-19, $2,942,000,000 in 2019-20, $3,420,000,000 in 2020-21 and $3,232,000,000 in 2021-22.

ii. Broadening the Rural or Remote Rate Protection (RRRP) program to mitigate distribution charges for customers of Local Distribution Companies (LDC) with some of the highest distribution rates, and moving the program from a ratepayer funded program to a government funded program beginning in 2017, including:

   a) Harmonizing distribution cost for customers with the highest distribution rates (Hydro One (R1 and R2 rate classes), Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power (Parry Sound service

territory) and Northern Ontario Wires Inc) at the lowest distribution rate paid by the average consumer of the LDCs noted by fall 2017.

b) Note costs estimated at up to $459,000,000 in 2017-18, $472,000,000 in 2018-19, $484,000,000 in 2019-20, and $497,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to broaden RRRP.

e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the broadened program now government funded
- Report on and assessment of impacts of consolidation of LDCs
- Assessment of distribution rates and implications for the program

iii. Expanding every benefit level of the Ontario Electricity Support Program by 50%, moving the program from a ratepayer funded program to a government funded program beginning in 2017 and pursuing additional measures to substantially increase take-up.

a) Note costs estimated at up to $186,000,000 in 2017-18, $261,000,000 in 2018-19, $325,000,000 in 2019-20, and $375,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

c) Direct the Ministry to work Treasury Board Secretariat (Behavioural Insights Unit, Centre of Excellence for Evidence-Based Decision Making) to accelerate/ maximize program uptake.

d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to expand OESP.

e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Identify eligibility criteria, and refinements being made.
- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the expanded program now government funded.

iv. Establishing a new government funded Affordability Fund to provide energy efficiency measures to electricity customers who do not qualify for existing low income conservation programs and who have difficulty paying their electricity bills.

a) Approve to commit up to $200,000,000 on a multi-year basis to support the Affordability Fund.

b) Direct the Ministry to report back to TB/MBC with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

v. Establishing a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve.

a) Note costs estimated at up to $20,000,000 in 2017-18, $20,000,000 in 2018-19, $20,000,000 in 2019-20, and $20,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

vi. Expanding the Industrial Conservation Initiative (ICI) by reducing the eligibility threshold to 500kW to enhance competitiveness for Class B manufacturers beginning July 2017.

a) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, results achieved to date versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.

vii. Direct the Ministry:

a) To work with Treasury Board Secretariat and the Ministry of Finance on the development of a comprehensive risk-based costing, including forecast models and sensitivity tests on assumptions and financial estimates, for the electricity mitigation initiatives.

b) To report back to TB/MBC through regular updates including quarterly reports and the 2018-19 Program Review, Renewal and Transformation (PRRT) on the status of implementation, and revised out-year expenditure requirements if applicable.

c) To continue to work with the Ontario Energy Board, the Independent Electricity System Operator and Ontario Power Generation, through the Long-Term Energy Plan 2017, to further reduce electricity rates across the system.

d) To work with the Ministry of Finance, Treasury Board Secretariat, Cabinet Office and Office of the Premier on an integrated communications strategy.

APPENDIX E: PREVIOUS TB/MBC MINUTE (MAY 9, 2017)

Receive a report back providing an update on current implementation status, including proposed legislation, of the Ontario Fair Hydro Plan, previously at TB/MBC March 1, 2017 and announced on March 2, 2017.

In this regard, the Board:

i) Note that the proposed Fair Hydro Act, 2017, includes:

Electricity Social Programs:

a) Establishment of a First Nation Delivery Credit for On-Reserve Consumers, funded from voted appropriations.
b) Establishment of new distribution rate protection program to eligible residential customers served by LDCs with the highest distribution costs, funded from voted appropriations.
c) Shift from costs recovered from ratepayers to funding out of voted appropriations for Ontario Electricity Support Programs.
d) Delayed proclamation for OESP once proposed amendments are passed until the IESO variance account for the program is close to wound down.

Global Adjustment Refinancing:

a) Establishes the fair allocation adjustment that gives the relief to certain specified consumers during the period July 1, 2017 to June 30, 2021 to ensure intergenerational fairness.
b) Requirement for future consumers to pay the clean energy adjustment that backs financings.
c) Sets out that the Financial Services Manager (OPG) prepares the Financing Plan establishing when a funding obligation should be incurred so that the OPG entity can raise money to acquire the Investment Interest.
d) Establishes the LGIC's power to authorize the Ministers of Finance and Energy to guarantee and indemnify any debts, obligations, securities or undertakings associated with the investment interest.
e) Sets out how the regulatory asset will be determined and how it can be converted into the investment asset, and the investment asset rights.
f) Sets out that security interests can be granted in investment interests in the investment asset.

ii) Recommend the proposed Fair Hydro Act, 2017 to proceed to Cabinet for approval.

iii) Note a new credit facility is being sought by the IESO from the Ontario Financing Authority to ensure that it has the flexibility to finance clean energy costs if for some reason the OPG Trust, at any time, does not purchase any portion of the deferred Global Adjustment amounts payments. An Order in Council to allow the Ontario Financial Authority to provide an expanded credit facility will be requested.

iv) Direct the Ministry of Energy to work with Treasury Board Secretariat and the Ministry of Finance/Ontario Financing Authority and report back to TB/MBC on the details of proposed regulations prior to going to LRC, and to provide the Board with an update towards completed legal, accounting and financing risk assessments.

In this regard, direct the Ministry to:

a) Include a report related to GA Refinancing on findings from sensitivity analysis completed as assumptions vary, such as under different recovery rates, different interest rates, different

demand, etc., and combinations of key factors, and then to quantify the likelihood of high/medium/low impact scenarios, with assumptions and methodologies clearly specified and documented.

b) Include electricity social programs with details of forecasting models and costing estimates, including assumptions, sensitivities analysis that would allow identification of risks to the fiscal plan for Broadening RRRP, OESP. The Ministry is to include similar information for the Ontario Rebate for Electricity Consumers.

c) To report back with final program details for 2017-18 for GA Refinancing and Electricity Social Programs, including fiscal plan implications and consumer impacts with detailed assumptions and methodologies specified and documented.

d) To report back with updates to risk mitigation strategies that address key financial and operational risks.

v) Note the following outstanding report back requirements from March 1, 2017 minute:

a) Broadening RRRP – Direct the Ministry to report back to TB/MBC in 2017-18 on the effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.
- Establishing program performance management framework including targets for the broadened program now government funded
- Report on and assessment of impacts of consolidation of LDCs
- Assessment of distribution rates and implications for the program

b) OESP – Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Identify eligibility criteria, and refinements being made.
- Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.
- Establishing program performance management framework including targets for the expanded program now government funded.

c) Affordability Fund – Direct the Ministry to report back through quarterly reporting process with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

d) On-Reserve First Nations Delivery Charge – Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

e) Industrial Conservation Initiative – Direct the Ministry to report back through quarterly reporting process with results achieved versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.

vi) Approve the Ministry to fund a media buy plan with a maximum value of $3,500,000 with PHD Canada, the Advertising Review Board's mandatory-use media planning and buying Agency of Record. In this regard,

a) Note the Ministry of Energy has already spent approximately $1,000,000 with PHD Media in 2016-17 and is forecasting expense of approximately $2,500,000 in 2017-18.

b) Note the Ministry of Energy will return to request a transfer of funds of up to $2,500,000 in 2017-18 to the Ministry of Energy from the Bulk Media Buy program in Treasury Board Secretariat to recover costs for the public education campaign.

APPENDIX F: PREVIOUS TB/MBC MINUTE (JUNE 13, 2017)

Receive the first of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

i) Note that the proposed new regulations and amendments to existing regulations include the following program parameters:

Electricity Social Programs:

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

a) Provides for a fixed monthly credit ($60.50), replacing the existing prescribed annual amount and making the escalating factor unnecessary; and,
b) Sets out a process that the Ontario Energy Board (OEB) will utilize to determine the maximum monthly distribution charge that all prescribed high-cost distributors will charge their customers; and,
    1) Sets out the proposed distributors as Atikokan Hydro Inc.; InnPower Corporation; Chapleau Public Utilities Corporation; Sioux Lookout Hydro Inc.; Northern Ontario Wires Inc.; Lakeland Power Distribution Ltd. (Parry Sound Rate Zone); Algoma Power Inc. (residential); and, Hydro One Networks Inc. (Low & medium density classified customers).

On-Reserve First Nations Delivery Credit (FNDC)

a) Defines eligibility as being restricted to those residential rate class First Nations customers who are members of a band as defined under the federal Indian Act;
b) Eliminates the delivery charge, or monthly service charge for those customers served by Local Distribution Companies (LDCs) that do not have a delivery charge, for on-reserve residential First Nations customers; and,
c) Defines eligibility currently affects 11 LDCs serving on-reserve consumers: Algoma Power Inc., Attawapiskat Power Corporation, Bluewater Power Distribution Corporation, Cat Lake Power Utility Ltd., Cornwall Electric Distribution, Hydro One Networks Inc. Hydro One Remote Communities Inc., PUC Distribution Inc., and Thunder Bay Hydro Electricity Distribution; Fort Albany Power Corporation; and Kashechewan Power Corporation.

Implementation of Global Adjustment (GA) Refinancing:

a) Supports the required calculations to be made by the OEB;
b) Provides the methodology that the OEB will use in applying reductions to eligible and non-regulated consumers who are eligible for GA refinancing;
c) Sets out the near-term reductions (i.e., the reductions that will be applied by the OEB from July 1, 2017 to April 30, 2018), as well as the reductions from May 1,

2018 to April 30, 2019. Further adjustments to be made for future periods beginning May 1, 2019 would be set out in further amendments the regulation; and,

d) Provides the Independent Electricity System Operator (IESO) with the necessary authority related to its activities, including the funding, borrowing and financial arrangements.

ii) Recommend the below proposed new regulations and amendments to existing regulations proceed to Cabinet for approval:

a) New Regulation to be made under Part II of the *Ontario Fair Hydro Plan Act, 2017*, which is Schedule 1 of the *Fair Hydro Act, 2017*;
b) Amendment to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the *Electricity Act, 1998*;
c) New Invoicing Regulation to be made under the *Ontario Fair Hydro Plan Act, 2017*;
d) New Regulation (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998* (OEBA);
e) New Regulation (Distribution Rate Protection) to be made under the OEBA;
f) Amendments to O. Reg. 442/01 (Rural or Remote Electricity Rate Protection) to be made under the OEBA;
g) Amendments to the O. Reg 363/16 (General) to be made under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA); and,
h) Amendments to O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) to be made under the OEBA.

iii) Direct the Ministry to report back to TB/MBC with:

a) The details of additional proposed regulations with financial implications prior to proceeding to Cabinet for approval; and,
b) An update on previously minuted report back requirements.

APPENDIX F: DETAILS OF PROPOSED REGULATIONS

Partial Refinancing of the GA

The ministry is proposing a new General Regulation under the OFHPA that would support the implementation of the refinancing of the Global Adjustment (GA):

- Provide for the implementation of the roles and responsibilities of the Financial Services Manager (FSM)(i.e., OPG) and OEB and IESO in relation to the refinancing of GA:
    - methodology for calculating the clean energy adjustment, the finance amount and the true-up amount;
    - required communications by FSM with OEB on clean energy adjustments for each reference period during the recovery period;
    - requiring that OEB use the FSM calculations of clean energy adjustment to determine a kWh amount for the clean energy adjustment for each reference period during the recovery period using IESO demand forecasts;
    - clarify FSM's ability to charge fees to the financing entities for the costs of its services and required activities under the OFHPA. FSM to submit methodology used for determining fees to the OEB for review and approval;
- Require that the clean energy adjustment be a specific line item on bills and that LDCs keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM);
- Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account;
- Provide further criteria related to the development and implementation of the financing plan by the FSM;
    - reasonable assumptions and additional principles and that the FSM must make or take into account, such as seeking to incur funding obligations on the best terms available and flexibility to cope with changes to future fair allocation amounts; and,
- Provide for further principles that must be taken into account by the Minister of Energy in the calculation of the fair allocation amount (i.e., commodity prices, interest rates, inflation, population, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

Social Programs

Ontario Electricity Support Program

The OESP is an income-tested, application based program that lowers electricity costs of the most vulnerable consumers by providing a rebate directly on electricity bills.

The ministry is proposing amendments to O. Reg. 314/15 made under the OEBA to enable Ministry of Community and Social Services staff to sign up social assistance clients for OESP based upon Ontario Works (OW) and Ontario Disability Support Program (ODSP) eligibility criteria, and matching this eligibility to the existing OESP household size / income credit table. The amendment is in support of efforts to increase enrollment by reducing application burdens on target populations and enable the

development of automatic enrollment procedures for some populations already receiving other government programming.

The Ministry indicates it will return to LRC/Cabinet in the Fall 2017 with a proclamation OIC to finalize transfer of the OESP from the IESO variance account (used when OESP was funded by electricity ratepayers) to government funding. This timing is consistent with previous submission and ensures the variance account is drawn down before government funding is provided.

On-Reserve First Nations Delivery Credit (FNDC)

The Ministry is proposing a correction to the recently established FNDC regulation to add "licensed distributor" in front of "serving Cat Lake First Nation."

Regulations supporting implementation were before the Board June 13, 2017.

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

Regulations supporting implementation were before the Board June 13, 2017.

APPENDIX G: MINISTRY'S UPDATE ON RISKS AND MITIGATION STRATEGIES

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
1) Global Adjustment (GA) Refinancing			
Maintaining OPG's Financial Viability / Capital Structure	L	H	• OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Energy). • Equity injections are necessary to support OPG as the owner and manager of GA refinancing. The equity injections allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • In order to obtain financing, OPG would develop a special purpose vehicle (SPV). • OPG has a great deal of experience managing the risks associated with borrowing through its experience developing capital-intensive generation projects as well as their management of Nuclear Funds. • OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. **Update:** • Work is ongoing to finalize a draft term sheet that would serve as the basis for the Master Subscription Agreement between OPG/ENERGY and OFA. In addition, OFA and ENE to develop Service Level Agreement for monthly cash management services.
OPG Securing Capital Markets Funding	L	H	• OPG will need to obtain a portion of the required funding from the capital markets. • The Ministry, IESO, OPG and other ministries have worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation enables refinancing of the GA. • In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will use 100% debt financing to purchase the regulatory asset, financing 51% through capital markets as senior debt, with the remaining 49% being provided by OPG as subordinated debt. • The 49% subordinated debt from OPG will be financed through debt OPG issues in its own capacity, through capital markets (up to 5%) with the remainder (44-49%) financed through equity injections from the Province. This will help to ensure OPG's capital structure remains in line. **Update:** • The legislation and proposed general regulation were developed with input from third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the Global Adjustment (GA). • OPG is continuing to work through the mechanics of securing financing (e.g., engaging rate agencies, etc).

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			• In addition, in order to provide assurances to those with claims against the "Financing Entity" (e.g., 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 IESO are carried out including obligations related to collecting and remitting clean energy adjustments. Working is ongoing.
Managing Interest Cost Risks	M	H	• OPG's Special Purpose Vehicle (SPV) / Trust is borrowing in its own corporate capacity from the capital markets. • Risk that it may incur a higher interest cost than what was originally forecast (i.e., 5%). **Update:** • The legislation and proposed general regulation were developed with input of third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the GA • The provincial guarantee as set out in legislation should provide comfort to dealers, thereby increasing the likelihood of achieving more favourable interest rates. • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
Provincial Guarantee is Triggered	L	H	• The legislation sets out that the province could provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework. The intent is to ensure that the full value is recovered. • The legislation also enables the Province to: o Through the Ministers of Energy and Finance upon approval by Lieutenant Governor in Council, agree to guarantee any debts and obligations; and **Update:** • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
IESO Failure to Establish a Regulatory Asset / Maintaining IESO Financial Viability	L	H	• Under the legislation, the Ontario Energy Board (OEB) is providing the necessary oversight required to enable IESO the ability to establish a Regulatory Asset. • To recover its revenue shortfall, IESO will establish as a Regulatory Asset that it would sell to OPG's SPV / Trust. • The OEB will issue an accounting order to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. • IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset. **Update:** • IESO has received an accounting opinion from KPMG that concurs with IESO's view that it has

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			the ability to establish the regulatory asset. • In addition, OFA is planning to increase IESO's credit facility to support its role in implementing the OFHPA. OFA is proposing an OIC that would authorize the OFA to borrow an additional $2.0 billion, which would be in addition to existing authority for the Minister of Finance to provide loans to the OFA, to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requested requirements.
Indemnities provided to OPG are triggered/called **(Not included in current June 27 submission)**	L*	H*	• Ministry of Energy staff are putting together a s.28 (under the Financial Administration Act) approvals package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO with respect to their respective roles in carrying out the implementation of the Ontario Fair Hydro Plan. o The indemnities are expected to provide coverage for both organizations and their respective Board members, officers and employees involved in implementing the plan. o As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault. **Update:** • Work is ongoing to finalize the s.28 (under the Financial Administration Act) approval for indemnities. Note: There could be potential interactions between the provincial guarantees and the indemnities sought by OPG and the IESO, discussed below. A due diligence is currently ongoing by MOF Legal, OFA and Energy staff. A final draft indemnities package is pending.
GA Refinancing Approach is Viewed as an Indirect-tax	L	H	• In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets. • Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax. • The legislation attempts to mitigate the risks identified above by requiring that the costs moved into the future align with the benefits that future rate payers will receive. To create the flexibility to achieve this requirement, the amounts of the costs and benefits will not be enshrined in the legislation. **Update:** • The legislation was designed to mitigate this risk.

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			• The Fair Allocation Amount, the process for which is further clarified under general regulation, will help to ensure that the allocation of costs associated with electricity generation facilities is reflected over the term of GA Refinancing.
2) Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP)			
Social Program Cost Estimating	M	M	• OESP costs will depend on uptake of the program, which will be impacted by the 50% increase in credits, enhanced eligibility, and work with MCSS on aligning OESP delivery with their social assistance programs • Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to ensure access to data for regular forecasting. • A mechanism would be created in regulation to ensure that all parties are aligned in the yearly forecasting and costing of the program. • Social program regulations include provisions to require the IESO and the OEB to provide the Ministry with information required to update cost projections based on up-to-date figures.

APPENDIX H: UPDATE ON OUTSTANDING REPORT BACKS

Report back requirements	Expected Timing	Status (Pending from Energy)
Regulations - Report back to TB/MBC on the details of proposed regulations prior to going to LRC, and to provide the Board with an update towards completed legal, accounting and financing risk assessments	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14) Late June TB/MBC – Regulations for Global Adjustment (LRC/Cabinet – June 27)	
Global Adjustment Refinancing - Include a report related to GA Refinancing on findings from sensitivity analysis completed as assumptions vary, such as under different recovery rates, different interest rates, different demand, etc., and combinations of key factors, and then to quantify the likelihood of high/medium/low impact scenarios, with assumptions and methodologies clearly specified and documented.	August TB/MBC (TBC) – Sensitivity Analysis	
Sensitivity Analysis – Electricity Social Programs - Include electricity social programs with details of forecasting models and costing estimates, including assumptions, sensitivities analysis that would allow identification of risks to the fiscal plan for Broadening RRRP, OESP. The Ministry is to include similar information for the Ontario Rebate for Electricity Consumers.	August TB/MBC (TBC) – Sensitivity Analysis	
Electricity Social Programs and GA Financing - To report back with final program details for 2017-18 for GA Refinancing and Electricity Social Programs, including fiscal plan implications and consumer impacts with detailed assumptions and methodologies specified and documented.	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14)	
Risk Mitigation - To report back with updates to risk mitigation strategies that address key financial and operational risks.	TBD – potentially details would be in the Regulations submissions	
RRRP − Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14)	

− Establishing program performance management framework including targets for the broadened program now government funded − Report on and assessment of impacts of consolidation of LDCs − Assessment of distribution rates and implications for the program		
OESP − Identify eligibility criteria, and refinements being made. − Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers. − Establishing program performance management framework including targets for the expanded program now government funded.	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14)	
Affordability Fund - Direct the Ministry to report back through quarterly reporting process with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.	Quarterly Reporting	
On-Reserve First Nations Delivery Charge - Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14)	
Industrial Conservation Initiative - Direct the Ministry to report back through quarterly reporting process with results achieved versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.	Quarterly Reporting	

APPENDIX I: OVERVIEW OF RISK (CENTRAL AGENCIES PERSPECTIVE)

Prepared by TBS staff, the following chart provides an overview of strategic (versus operational) risks to inform the approval/decision making process regarding the proposed legislation. Each part, GA Partial Refinancing & Electricity social programs, is a separate table.

Global Adjustment Partial Refinancing:

Objective: Provide immediate ratepayer relief by capping rate increases at Consumer Price Index (CPI) for four years and refinancing GA costs over a longer period of time. Develop and implement a financing structure that increases provincial borrowing, but has no impact on annual provincial surplus/deficit.

Risk	Level of Risk	Risk Response
The determination of the appropriate legal and accounting treatment to be applied to the financing model may result in the costs of GA smoothing being allocated to the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time Scale:** 6 to 12 months **Rationale:** • The structure of the GA deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. • The proposal assumes GA refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. • If a favourable legal and accounting treatment is not implemented, there could be a negative impact on the province's fiscal plan up to $2.5B in 2017-18 and rising. • Rating agencies and investors in the Province's debt may view all of the borrowing as an obligation of the Province, especially taking into account the nature of provincial guarantees, which could put pressure on the Province's credit rating and overall borrowing capacity. • Proposed structure may result in a negative response from Ontario Auditor General (OAG) due to previous concerns regarding recognition of rate regulated assets and liabilities. The AG has already expressed concerns regarding the accounting treatment on the IESO's books which could lead to a qualification of the Province's consolidated financial statements. • Initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards.	Risk can be mitigated by: • Commissioning external opinions on the legal, fiscal and accounting requirements, which could be used by the Province to justify structure of financial model and be utilized in discussions with the OAG. • Identify potential options to minimize the balance of rate regulated assets remaining on the IESO's books at fiscal year-end.

Risk	Level of Risk	Risk Response
Uncertainty in the financial model due to dependence on assumptions that are subject to potential volatility may result in higher than anticipated future costs for rate payers and the province.	**Risk Likelihood:** Likely **Risk Impact:** Major **Time Scale:** More than 36 months **Rationale** • The financial model developed is a high level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model explicitly and implicitly (as a larger number of assumptions are embedded into the other forecasts that are used as inputs into the model). • The proposal financing structure will accrue total interest of about $26.2 billion, which is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the financial impact of potential changes in variables used in the financial models. • Building permissive language in the legislation and regulations to allow for timely course correction mechanisms (i.e. higher payment amounts and/or rate increases) • Regulations to prescribe the methodology to be applied by the Ontario Energy Board (OEB) to determine electricity rates in response to potential deviation from forecasted financing plans.
A legal determination that the Province is spreading the costs of GA financing in order to lower the price in the short term by increasing the price in the long term may result in the GA charge characterized as a tax and deemed unconstitutional.	**Risk Likelihood:** Medium **Risk Impact:** High **Time Scale:** Long-Term (More than 36 months) **Rationale** • If characterized as a tax, the GA charge could be subject to legal challenge and struck down as unconstitutional, allowing consumers to recover their payments. • Likelihood dependent on the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year. The bigger the reduction in charges to current consumers, the higher likelihood of the risk being realized. • Internal and external expertise have provided opinion that the proposed structure is constitutionally sound in the short-term (2017-18), but the likelihood of the risk increases in the proceeding four years, which will impact commitment to keep rate increase in line with CPI. • If annual increases in bills or the commodity prices are subject to caps, additional borrowing/provincial funding may be required.	Risk can be avoided by: • Imposition of a valid tax. • Change in policy (i.e. allow greater rate increases during the remainder of the rate mitigation phase and higher increases and payment amounts throughout rate increase and payment phase). • Use of public funds to ease pressure. Risk can be mitigated by: • Improve forecasting model and close monitoring of costs and changes in variables built into model. • Analyze the costs and benefits of the long lived assets (specifically usability beyond a 20 year period) to assist in determining a supportable GA deferral structure. • Draft legislation with built-in provisions to allow for the balance of the legislation to remain in effect if any particular clause or section is struck down by a court.

Risk	Level of Risk	Risk Response
Financing the costs of GA smoothing through OPG SPV/Trust and the volatility of interest rates may increase the cost of GA smoothing and/or require additional provincial funding.	**Risk Likelihood:** Possible **Risk Impact:** Moderate **Time Scale:** 12 to 24 months **Rationale** • The proposed structure will be reviewed by credit agencies to allow OPG to borrow in the open market. Depending on assessment, there may be an impact on interest rate for borrowing, the amount of equity/funding the province may need to provide and the requirement for a provincial guarantee. • As the OPG SPV/Trust will be borrowing in its own corporate capacity from the public markets, it will likely incur a higher interest cost compared to the Province's borrowing. • If the Trust can't raise the full funding requirements, additional cash injections would be required. If the borrowing cap of $28B is reached sooner than forecast, the province may have to provide incremental funding to float the program to 2047. • Beyond 2022, when steep increases are required, there will likely be additional pressure on the government to offset a part of the scheduled increases. • Risk that credit rating agencies may perceive OPG SPV/Trust's borrowing as debt supported by Province, impacting Province's ratings and cost of borrowing.	Risk can be avoided by: • Province providing a potential guarantee for the cost of borrowing – however, would redirect risk back to the Province and negate benefits of proposed financing structure. Risk can be mitigated by: • Equity injections from the province to support OPG as the owner and manager of GA refinancing and allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • Proposed legislation to enable GA refinancing has been draft with input from third-party financers. Provides a 'narrow' provincial guarantee and ensuring that debt holders have the right of action against a future government to recover the amount outstanding including interest, fees, expenses and any damages.

Risk	Level of Risk	Risk Response
The determination of the appropriate legal and accounting treatment to be applied to the financing model may result in the costs of GA Refinancing having a fiscal impact to the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time Scale:** 6 to 12 months **Rationale:** • The structure of the GA deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. • The proposal assumes GA refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. • If a favourable legal and accounting treatment is not implemented, there would be a negative impact on the province's fiscal plan of up to $2.5B in 2017-18 and rising. • Rating agencies and investors in Province's debt may view all of the borrowing as an obligation of the Province, which could put pressure on the Province's credit rating and overall borrowing capacity. • The proposed structure may result in an opinion from the Ontario Auditor General (OAG) considering previous concerns regarding recognition of rate regulated assets and liabilities. The OAG may take this into account when the provincial books are audited. • An initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards. Additional analysis is still required.	Risk can be mitigated by: • Commissioning external opinions on the legal, fiscal and accounting requirements, which could be used by the Province to support discussions of the financial model with the OAG.
Uncertainty in the financial model due to dependence on assumptions that are subject to potential volatility may result in higher than anticipated future costs for rate payers and the province.	**Risk Likelihood:** Likely **Risk Impact:** Major **Time Scale:** More than 36 months **Rationale** • The financial model developed is a high level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model explicitly and implicitly (as a larger number of assumptions are embedded into the other forecasts that are used as inputs into the model). • The proposal financing structure will accrue total interest of about $26.2 billion, which is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the sensitivity and financial impact of potential changes in variables used in the financial models. • Building permissive language in the legislation and regulations to allow for timely course correction mechanisms (i.e. higher payment amounts and/or rate increases) • Regulations to prescribe the methodology to be applied by the Ontario Energy Board (OEB) to determine electricity rates in response to potential deviation from forecasted financing plans.

Risk	Level of Risk	Risk Response
A legal determination that the Province is spreading the costs of GA refinancing in order to lower the price in the short term by increasing the price in the long term may result in the GA charge characterized as a tax and deemed unconstitutional.	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Scale:** Long-Term (More than 36 months) **Rationale** • If characterized as a tax, the GA charge could be subject to legal challenge and struck down as unconstitutional, allowing consumers to recover their payments. • Likelihood dependent on the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year. The bigger the reduction in charges to current consumers, the higher likelihood of the risk being realized. • Internal and external expertise have provided opinion that the proposed structure is constitutionally sound in the short-term (2017-18), but the likelihood of the risk increases in the proceeding four years, which will impact commitment to keep rate increase in line with CPI. • If annual increases in bills or the commodity prices are subject to caps, additional borrowing/provincial funding may be required.	Risk can be avoided by: • Imposition of a valid tax. • Change in policy (i.e. allow greater rate increases during the remainder of the rate mitigation phase and higher increases and payment amounts throughout rate increase and payment phase). • Use of public funds to ease pressure. Risk can be mitigated by: • Improve forecasting model and ongoing monitoring of costs and changes in variables built into model. • Analysis of the costs and benefits of the long lived assets (specifically usability beyond a 20 year period) to assist in determining a supportable GA deferral structure. • Draft legislation with built-in provisions to allow for the balance of the legislation to remain in effect if any particular clause or section is struck down by a court.

Risk	Level of Risk	Risk Response
Refinancing GA costs through an OPG SPV Trust may increase costs and/or require provincial funding.	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Scale:** 12 to 24 months **Rationale** • The proposed borrowing structure will be reviewed by credit agencies to allow OPG to borrow in the open market. Depending on assessment, there may be an impact on the interest rate for borrowing, the amount of equity / funding the province may need to provide and the requirement for a provincial guarantee. • As the OPG SPV/Trust will be borrowing in its own corporate capacity from the public markets, it will likely incur a higher interest cost compared to the Province's borrowing. • There is a risk that credit rating agencies may perceive OPG SPV/Trust's borrowing as debt supported by Province, impacting Province's own ratings and cost of borrowing. • If the Trust can't raise the full funding requirements, additional cash injections would be required. If the borrowing cap of $28B (in the March 1, 2017 Cabinet Submission) is reached sooner than forecast, the province may have to provide incremental funding to float the program to 2047. • Beyond 2022, when steep increases are required, there will likely be additional pressure on the province to offset a part of the scheduled increases. • Fiscal impacts will be subject to fluctuations in Ontario electricity demand, GA and interests rates in the medium-to long term.	Risk can be mitigated by: • Providing a "provincial guarantee" for the cost of borrowing. • Drafting legislation to provide assurance to OPG and investors regarding the permanence of the GA refinancing framework and the authority of the legislation to pass the legislation; and enable the Province to guarantee borrowing of the trust in the event of a market disruption. • Specifics of a guarantee are dependent on the negotiation of agreements not yet initiated. • Equity injections from the province to support OPG as the owner and manager of GA refinancing and allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost.

Electricity social programs (Enhancing Electricity Support & Conservation Programs):

Objective: Shift funding of existing and new electricity support programs (RRRP, OESP, Affordability Fund, First Nations Credit) from rate to tax base.

Risk	Level of Risk	Risk Response
Uncertainty in forecasting due to exposure to changes and/or volatility (i.e. interest rates, electricity usage patterns, and distribution costs) may result in higher than anticipated fiscal impacts for the Province.	**Risk Likelihood:** Possible **Risk Impact:** Major **Timescale:** 12 to 24 months **Rationale:** • The energy sector is complex and a number of key assumptions used as inputs into forecasting model are variables/forecasts themselves, resulting in a high inherent risk that cost estimates are inaccurate. • Fiscal projection is highly dependent on factors which can fluctuate from year to year, including: o electricity usage; o distributions costs; and o consumer consumption patterns that may change due to extreme weather or other factors. • Fiscal projection is subject to knowledge of future distribution costs and dependent on submission of cost of service applications by Hydro One and LDCs. o Enhanced RRRP may create disincentives from the eligible LDCs towards productivity and performance improvements and/or cause ineligible LDC's to drive up distribution costs to gain access to program.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the sensitivity and financial impact of potential changes in variables used in the forecasting models.

From:	Usman Zahid
To:	Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Cengarle, John (MOF)
Cc:	Ronald Kwan; Angie Georgakakos
Subject:	RE: CEFD and MO Bi-weekly
Date:	Tuesday, October 24, 2017 12:48:36 PM
Attachments:	Agenda CEFD MO Bi-Weekly Oct 24 2017.docx

Hi All,

Attached is the Agenda for the CEFD MO Bi-Weekly.

Regards,

Usman

-----Original Appointment-----
From: Angie Georgakakos
Sent: Tuesday, September 26, 2017 2:37 PM
To: Angie Georgakakos; Usman Zahid; Ronald Kwan; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Gwendolynne Young (ENE); 'priscilla.hsu@ontario.ca'
Subject: FW: CEFD and MO Bi-weekly
When: Tuesday, October 24, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th FS

-----Original Appointment-----
From: Angie Georgakakos
Sent: Wednesday, June 28, 2017 2:34 PM
To: Angie Georgakakos; Ronald Kwan; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Gwendolynne Young (ENE); 'priscilla.hsu@ontario.ca'
Subject: CEFD and MO Bi-weekly
When: Occurs every 2 week(s) on Tuesday effective 7/4/2017 from 1:30 PM to 2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th FS

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Thanks,

Angie

ANNOTATED AGENDA
MO UPDATE: October 24, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Document Narrative**
2. **IESO Credit Facility**
3. **OLG Lottery Terminals Loan / Intercept**
4. **CNSC Access to Information Request**
5. **Impact of the FHP on Certain NUGs**
6. **Constance Lake First Nation (CLFN) Meeting Request**
7. **Lakeview**
8. **Trillium Trust: Brampton Update**
9. **Hydro One: OEB Transmission Rate Decision**

From:	Usman Zahid
To:	Angie Georgakakos; Ronald Kwan; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Gwendolynne Young (ENE); "priscilla.hsu@ontario.ca"
Cc:	"Smith, Stephanie M. (MOF)"
Subject:	RE: CEFD and MO Bi-weekly
Date:	Wednesday, September 27, 2017 11:01:28 AM
Attachments:	Agenda MO Sept 27 2017 CEFD.docx

Hello All,

Please find attached the agenda for today's meeting.

Regards,

Usman

-----Original Appointment-----
From: Angie Georgakakos
Sent: Tuesday, September 26, 2017 2:37 PM
To: Angie Georgakakos; Usman Zahid; Ronald Kwan; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Gwendolynne Young (ENE); 'priscilla.hsu@ontario.ca'
Cc: 'Smith, Stephanie M. (MOF)'
Subject: FW: CEFD and MO Bi-weekly
When: Wednesday, September 27, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th FS

-----Original Appointment-----
From: Angie Georgakakos
Sent: Wednesday, June 28, 2017 2:34 PM
To: Angie Georgakakos; Ronald Kwan; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Gwendolynne Young (ENE); 'priscilla.hsu@ontario.ca'
Cc: 'Smith, Stephanie M. (MOF)'
Subject: CEFD and MO Bi-weekly
When: Wednesday, September 27, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th FS

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Thanks,

Angie

AGENDA
MO UPDATE: September 27, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **OPG / Province – Financial Guarantee with CNSC**
2. **IESO Credit Facility**
3. **Constance Lake First Nation (CLFN) Meeting Request**
4. **Wataynikaneyap Power L.P – Federal Contribution**

OTHER ISSUES

5. **OCGC S.28 Approval of Indemnities in Sidense Sales Agreement**
6. **Loan Program for Energy Retrofit Projects at Colleges and Universities**

From:	Gavin He
To:	Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Gwendolynne Young (ENE); Ronald Kwan; "priscilla.hsu@ontario.ca"; "Smith, Stephanie M. (MOF)"
Subject:	RE: CEFD and MO Bi-weekly
Date:	Friday, July 21, 2017 12:20:46 PM
Attachments:	Agenda MO July 21 2017 CEFD.docx

Hi all,

Please find attached the agenda for today's meeting:

Regards,

Gavin He

-----Original Appointment-----
From: Gavin He
Sent: Tuesday, July 18, 2017 3:25 PM
To: Gavin He; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Gwendolynne Young (ENE); Ronald Kwan; 'priscilla.hsu@ontario.ca'; 'Smith, Stephanie M. (MOF)'
Subject: CEFD and MO Bi-weekly
When: Friday, July 21, 2017 1:15 PM-1:45 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th FS

Rescheduled due to conflicts.

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Thanks,

Angie

AGENDA
MO UPDATE: July 21, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Fair Hydro Plan**
2. **Aboriginal Loan Guarantee Program**
3. **Constance Lake First Nation (CLFN) Meeting Request**
4. **Algonquin Land Claim**

OTHER ISSUES

5. **Teranet Royalty Reporting Obligation Change Request**
6. **OFA Annual Lending Directive**
7. **College Class Exemption Regulation**
8. **MAESD Loan Program for Energy Retrofit Projects at Colleges and Universities**

From:	Usman Zahid
To:	Angie Georgakakos; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Ronald Kwan
Cc:	"Smith, Stephanie M. (MOF)"; "John.Cengarle@ontario.ca"; Tibando, Lindsay (MOF)
Subject:	RE: CEFD and MO Bi-weekly
Date:	Tuesday, November 07, 2017 1:55:39 PM
Attachments:	Agenda CEFD MO Bi-Weekly Nov 6 2017.docx

Hi All,

Attached is the Agenda for today's meeting.

Regards,

Usman

-----Original Appointment-----
From: Angie Georgakakos
Sent: Tuesday, September 26, 2017 2:37 PM
To: Angie Georgakakos; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Ronald Kwan
Cc: 'Smith, Stephanie M. (MOF)'; 'John.Cengarle@ontario.ca'; Tibando, Lindsay (MOF); Usman Zahid
Subject: CEFD and MO Bi-weekly
When: Tuesday, November 07, 2017 2:35 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th FS

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Thanks,

Angie

AGENDA
MO UPDATE: November 7, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **IESO Credit Facility**
2. **Impact of the FHP on Certain NUGs**
3. **Ottawa River Water Powers Act**
4. **Constance Lake First Nation (CLFN) Meeting Request**

From:	Emily Kerr
To:	Ronald Kwan
Cc:	Heather Fraser; James McBride; Gavin He
Subject:	RE: CEFD and MO | Bi-Weekly - draft Agenda
Date:	Monday, May 15, 2017 11:52:28 AM
Attachments:	Annotated Agenda MO May 15 2017_v2_MNO.docx

Hi Ron,

Material on MNO has been added at the end of the attached version of the MO bi-weekly agenda.

Emily

From: Ronald Kwan
Sent: Monday, May 15, 2017 10:18 AM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda

Hi,

Would SPFB also add in a short status update on MNO, including next steps, potential timelines.

Thanks,
Ron

From: Deena Padamadan
Sent: May-13-17 11:10
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Fwd: CEFD and MO | Bi-Weekly - draft Agenda

Hi Ron,

EFB/CFB are fine with your edits. Please see attached SPFB's edits for your review.

Thanks,
Deena

Begin forwarded message:

> **From:** Deena Padamadan <Deena.Padamadan@ofina.on.ca>
> **Date:** May 12, 2017 at 5:38:10 PM EDT
> **To:** Mara Bakic <Mara.Bakic@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
> **Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda**

Hi Mara & John,

Please see attached Ron’s edits for your review.

Thanks,
Deena

ANNOTATED AGENDA
MO UPDATE: May 15, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection, with common equity structure [with a new class of shares] looking to be the mechanism.

2. IESO Credit Facility – FHP Requirements

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - A letter requesting incremental credit facility of $1.5 Bn in potential borrowing requirements is requested, composed of a new FHP-purpose facility of $2 bn, and a reduction of the existing $975 million facility to $475 million.
    - OFA expressed the view to IESO that a new, separate facility for FHPwould better track the amounts related to the FHP.
- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
- To allow for this [add wording in on the required OIC amendment to expand the OFA's total amount of credit facilities].

3. Cochrane Solar Project Update

- The Cochrane Solar Project (CSP) submitted its application to the Aboriginal Loan Guarantee Program (ALGP) early in 2015.
    - The Applicant purchased its equity interest in October 2015.
- In early 2017 ALGP staff became aware that the CSP is only performing at 75% of forecast for the twenty two months ended April 2017. The underperformance is attributable to snow accumulation on the panels.
- For this application staff have raised with the advisor for the applicants the possibilities of considering deferring the application until more generation experience exists to support the requested amount, or, alternatively, to size the guarantee based upon, e.g., lower actual output to date as reflective of the longer term average.

- Generally, the ALGP would size the loan based upon a statistically conservative analysis compared to forecast as opposed to having actual output data.
- Even based on actual data to date, the loan supportable would be estimated at about half the amount applied for to be guaranteed – TBD, subject to further due diligence.

- If the partner can develop an effective and successfully evidence better output from, e.g., a snow clearing plan, an initial lower guarantee amount may be increased at a later date.
- The Applicant and its project partner are considering the impacts or either option and will be advising ALGP staff after further reflection.

4. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as they believe a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
- Staff are reviewing options to address Northland's concerns and facilitate the negotiation process with IESO.
- At present, IESO has short term curtailment agreements with 4 other NUGs and is working towards a long term curtailment agreement with Iroquois Falls.

5. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
- A response letter has been drafted for the Minister of Finance's signature that will serve as both a response to Minister of Energy and as an authorization for OEFC to recover payments over 6 months.

In the past, for the recovery of retroactive payments to applicant NUGs (who were party to the lawsuit), the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months. While the Minister of Energy did not write the Minister of Finance, staff for OEFC did consult with the Minister's Office on this request.

OTHER ISSUES

6. College Class Exemption Regulation

- Expecting request from MAESD Minister to Minister of Finance for limited college class exemption regulation based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending enabling legislation, review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD will be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

7. Ottawa Convention Centre (OCC) Loan

- OCC has recently notified the OFA of a material adverse change pursuant to their loan agreement and that the OCC Board is requesting that the Ministry of Tourism, Culture and Sport assume the OCC's redevelopment debt.
- OFA will be working with MTCS and OCC on reviewing the OCC and loan workout options.

8. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.
- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

9. MNO Solar Inc. ALGP Application

- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate nameplate capacity of about 13 MW. All sites have reached commercial operation. In July 2016, MNO Solar Inc. received a conditional offer of a loan guarantee under the ALGP for $6.471 million. MNO accepted the conditional offer in August 2016.
- OFA comments on some key documentation, including the limited partnership agreement, and intercompany loan agreements, remain unaddressed. MNO Solar Inc. counsel have previously indicated that they needed to engage with their partner, BrightRoof Solar, to address these comments. To assist with this engagement and at the request of MNO Solar Inc. counsel, the OFA and TD Bank, the Lender under the guarantee agreement, shared a draft of the Loan Agreement with MNO Solar Inc. counsel on February 8.
    - MNO Solar Inc. counsel met with their partner May 10 and has informed the OFA to expect updated documentation as early as the week of May 22.
- An initial financial model and project report was prepared by the OFA's due diligence advisors to support the conditional offer. These are being updated to reflect recently received information. The OFA continues to wait on the amortization schedules for the Intercompany Loan Agreement, a summary of operating costs to-date, and a summary of historical generation to-date, to complete the financial modelling and project report to support the conclusion of the guarantee process and the final size of the loan guarantee under the ALGP. This outstanding information should also be forthcoming as early as the week of May 22.
- The OFA has worked with Ministry of Finance Legal Services to prepare a draft guarantee agreement based on current documentation in order to be able to move forward with negotiations once updated documentation is available.
- Once the updated documentation is provided, the OFA will review to identify any remaining outstanding issues. At that point, active engagement between the OFA, MOF Legal, TD Bank and MNO Solar Inc. can take place to successfully conclude the guarantee agreement and associated documentation. The process of documentation negotiation between parties usually takes several months. At this point, there is no reason to believe that the guarantee agreement will not be successfully concluded.

From:	Ronald Kwan
To:	Gavin He
Cc:	Emily Kerr
Subject:	RE: CEFD and MO | Bi-Weekly - draft Agenda
Date:	Monday, May 15, 2017 10:17:49 AM
Attachments:	Annotated Agenda MO May 15 2017_v2.docx

Hi,

Would SPFB also add in a short status update on MNO, including next steps, potential timelines.

Thanks,
Ron

From: Deena Padamadan
Sent: May-13-17 11:10
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Fwd: CEFD and MO | Bi-Weekly - draft Agenda

Hi Ron,

EFB/CFB are fine with your edits. Please see attached SPFB's edits for your review.

Thanks,
Deena

Begin forwarded message:

> **From:** Deena Padamadan <Deena.Padamadan@ofina.on.ca>
> **Date:** May 12, 2017 at 5:38:10 PM EDT
> **To:** Mara Bakic <Mara.Bakic@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
> **Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda**
>
> Hi Mara & John,
>
> Please see attached Ron's edits for your review.
>
> Thanks,
> Deena

ANNOTATED AGENDA
MO UPDATE: May 15, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection, with common equity structure [with a new class of shares] looking to be the mechanism.

2. IESO Credit Facility – FHP Requirements

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    - OFA expressed the view to IESO that a new, separate facility for FHPwould better track the amounts related to the FHP.
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- Northland does not want to terminate the PPA as they believe a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
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5. Recovery of Standstill NUG payments

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In the past, for the recovery of retroactive payments to applicant NUGs (who were party to the lawsuit), the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months. While the Minister of Energy did not write the Minister of Finance, staff for OEFC did consult with the Minister's Office on this request.

OTHER ISSUES

6. College Class Exemption Regulation

- Expecting request from MAESD Minister to Minister of Finance for limited college class exemption regulation based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending enabling legislation, review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD will be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

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- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

From: Ronald Kwan
To: Deena Padamadan
Cc: Gavin He
Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda
Date: Friday, May 12, 2017 3:33:31 PM
Attachments: Annotated Agenda MO May 15 2017_Markup.docx

Hi Deena,

I tried to shorten some sections, but also wanted to give a status update on Cochrane and Iroquois Falls too.

Ron

From: Deena Padamadan
Sent: May-12-17 14:05
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: CEFD and MO | Bi-Weekly - draft Agenda

Hi Ron,

Please find attached the draft Bi-Weekly Agenda (blackline and clean) for your review.

Regarding the Recovery of Standstill NUG payments, SPFB has attached a few docs you might want as well. These include the letter SPFB is proposing in response to the Minister of Energy's letter, the accompanying note as well as the incoming letter.

Thanks,
Deena

ADVICE FOR CLIENTS
DRAFT AS OF: May 15, 2017

EXECUTIVE SUMMARY

1. Green-to-Sell Hyatt-eFleet – Equity Injection

Staff from ECFE, OFA, capital markets, Advisory, eIT Finance, and OPC-3 continue to discuss the mechanics behind an equity injection between the Finstress and OPC-4 as a means to fund the Hyatt-eFleet deal.

- The ECFE and FACI staff are working to establish briefly and views required on the Hyatt-eFleet deal, including the mechanics of the proposed equity injection (equity structure (part or more class of shares) looking to be the most below).

2. ACLU Credit Facility – DIP Snapshot note

- ACLU raised the potential requirements for financing the Tier-Hydro forecast milestones.

- [redacted] Staff responding to [redacted] ACLU [redacted] [redacted] [redacted]

OTHER ISSUES

College Class Exemption Regulation

- Expecting response from MoESD Minister to Minister of Finance for limited college class exemption regulation by end of March 2024.
- For the time being it is assumed that colleges are not going to be exempted university class exemption regulation. [redacted] [redacted] [redacted]

From:	Deena Padamadan
To:	Ronald Kwan
Subject:	RE: CEFD and MO | Bi-Weekly - draft Agenda
Date:	Tuesday, May 02, 2017 9:56:51 AM
Attachments:	Annotated Agenda MO May 2 2017 clean v2.docx

Hi Ron,

Just checking if you were ok with the draft agenda for today's Bi-weekly meeting?

Thanks,
Deena

From: Deena Padamadan
Sent: Monday, May 01, 2017 2:54 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda

Hi Ron,

Please find attached the updated draft with Cochrane and OPG Business Plan sections added.

Thanks,
Deena

From: Ronald Kwan
Sent: Monday, May 01, 2017 1:15 PM
To: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: CEFD and MO | Bi-Weekly - draft Agenda

Hi Deena,

There should be brief discussion of Cochrane too please.

And OPG's Business Plan TB submission and concurrence.

Thanks,
Ron

On May 1, 2017, at 12:31 PM, Deena Padamadan <Deena.Padamadan@ofina.on.ca> wrote:

> Hi Ron,
>
> Please find attached the draft Bi-Weekly Agenda (blackline and clean) for your review. Regarding the Recovery of Standstill NUG payments, a note is also attached that SPFB believes you would likely want to review for the topic.

Thanks,
Deena

<Annotated Agenda MO May 2 2017 clean.docx>
<Annotated Agenda MO May 2 2017 blackline.docx>
<Recovery of Standstill NUG payments v5.docx>

ANNOTATED AGENDA
MO UPDATE: May 2, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection.

2. IESO Credit Facility – $975M for Market

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - The possibility was raised of the IESO relying on the existing $975M credit facility provided by the OFA to provide short term financing until the OPG SPV purchases the IESO regulatory asset.
    - One of the main uses of the $975M credit facility is to provide liquidity into the electricity market to support various initiatives including the Regulated Price Plan (RPP), the Rural or Remote Electricity Rate Protection (RRRP), the new Ontario Electricity Support Program (OESP), the various conservation programs and overall market liquidity.
    - The $975M facility was not intended to provide long-term financing.
- If IESO required longer-term financing, additional due diligence and considerations on term and rate, accounting treatment, and appropriate approvals would be required.
    - OEFC or OFA involvement (in addition to managing the Provincial borrowing plan, including for any capital contribution / equity injection into OPG) in providing short or longer-term financing would potentially require government policy approval and a revised Minister's Directive.
- In the Minister's Directive signed November 28, 2016, facilitates the lending agreement between the OFA and IESO until the end of 2019 and has the term restriction of 28 to 95 days, essentially providing short-term liquidity for the IESO.

3. Cochrane Solar Project Issue

- The Cochrane Solar Project (CSP) submitted its application to the Aboriginal Loan Guarantee Program (ALGP) early in 2015. In early 2017 ALGP staff became aware that the CSP is only performing at 75% of forecast for the nineteen months ended

January 2017. The underperformance is attributable to snow accumulation on the panels. Winters to date actually witnessed higher temperatures and lower accumulation of snowfall compared to averages for the area.

  - The CSP has experienced significant cost overruns due to foundation issues. The increased capital costs (~25%) were borne by Northland Power Inc. (the Applicant's Partner "NPI").
  - The Applicant is owned by two First Nations, one was the recent beneficiary of an ALGP guarantee for its ownership interest in the Peter Sutherland Sr. Generating Station. The other First Nation has shown frustration at the lack of progress on the ALGP application for the CSP.

- For this application staff have considered an outright decline to the application or alternatively propose to size the guarantee based upon accepting actual output to date as reflective of the longer term average.
  - Generally, the ALGP would size the loan based upon a statistically conservative analysis compared to forecast as opposed to having actual output data.
- If the partner can develop an effective and successfully evidenced snow clearing plan, a guarantee may be increased at a later date. It should be noted that snow clearing is not well developed in the solar industry and that a guarantee at this time would reflect a more aggressive view to output than the ALGP would normally employ and as such the risk of a call under the guarantee would increase.
- Also noteworthy is that the partnership between the Applicant and NPI is not unwound in the event that a guarantee is not awarded. NPI would then be in a realization position of monies advanced to the Applicant with the possible outcome that the ownership interests of the Applicant are extinguished by NPI.

4. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
  - OEFC Legal has advised that a direction would not be required for this, and that indication (via email or letter) from the MO would be sufficient for OEFC to initiate recovery over six months.
- In the past, for the recovery of retroactive payments to applicant NUGs (who were party to the lawsuit), the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months; no indication of approval was required from the MO as the letter was directly sent to the CEO of OEFC.
- Staff estimate that approximately $55 million in retroactive payments to standstill NUGs have yet to be recovered from IESO and that the additional interest cost of

recovering over 6 months instead of recovering in one month as per OEFC's usual processes is $115,000.

5. OPG 2017-19 Business Plan

- OPG submitted its 2017-19 Business Plan to the Ministry of Energy for concurrence, and the Plan will be submitted to Treasury Board for review in May.
- The OPG BP submission pre-dates the proposed plan for OPG's role in the Fair Hydro Plan.
- CEFD is currently reviewing the draft TB submission materials and will work with TBS on the assessment note.

OTHER ISSUES

6. FAA Section 28 Modernization

- An OFA/MOF/TBS working group has developed options for modernizing s.28 of the FAA.
- Proposed amendments to FAA s.28 have been drafted to:
    (i) give the Minister of Finance or the President of Treasury Board the authority to prescribe in regulation public entities or classes of public entities that would be subject to s. 28; and
    (ii) give the LGIC the authority to make regulations to define terms used in section 28 that are not already defined in the Act.

7. S. 28 Class Exemption for Colleges

- MAESD will be bring forward a formal request from their Minister to the Minister of Finance and the President of Treasury Board for a proposed regulation that exempts certain financing, operating and capital transactions from s. 28 approval requirements, based on pre-defined criteria/thresholds.

8. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance has been made.

9. FSCO – Stelco Pension Issue

- As part of a transaction that will allow Stelco to come out of bankruptcy, the parent of Stelco, US Steel, has proposed a sale to Bedrock Industries. This sale limits Bedrock's exposure to the pension plan liabilities.
- The Superintendent of FSCO will temporarily be the nominal administrator of Stelco's 5 pension plans and will be responsible for the related administrative contracts. As the Superintendent is also the regulator, he will subcontract this responsibility in a sole source contract to an administrator.
- The assumption of these contracts by FSCO will require Treasury Board and Minister of Finance s.28 approval.

From: Deena Padamadan
To: Ronald Kwan
Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda
Date: Monday, May 01, 2017 2:54:30 PM
Attachments: Annotated Agenda MO May 2 2017 clean v2.docx
Annotated Agenda MO May 2 2017 blackline v2.docx

Hi Ron,

Please find attached the updated draft with Cochrane and OPG Business Plan sections added.

Thanks,
Deena

From: Ronald Kwan
Sent: Monday, May 01, 2017 1:15 PM
To: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: CEFD and MO | Bi-Weekly - draft Agenda

Hi Deena,

There should be brief discussion of Cochrane too please.

And OPG's Business Plan TB submission and concurrence.

Thanks,
Ron

On May 1, 2017, at 12:31 PM, Deena Padamadan <Deena.Padamadan@ofina.on.ca> wrote:

> Hi Ron,
>
> Please find attached the draft Bi-Weekly Agenda (blackline and clean) for your review. Regarding the Recovery of Standstill NUG payments, a note is also attached that SPFB believes you would likely want to review for the topic.
>
> Thanks,
> Deena
>
> <Annotated Agenda MO May 2 2017 clean.docx>
> <Annotated Agenda MO May 2 2017 blackline.docx>
> <Recovery of Standstill NUG payments v5.docx>

ANNOTATED AGENDA
MO UPDATE: May 2, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection.

2. IESO Credit Facility – $975M for Market

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - The possibility was raised of the IESO relying on the existing $975M credit facility provided by the OFA to provide short term financing until the OPG SPV purchases the IESO regulatory asset.
    - One of the main uses of the $975M credit facility is to provide liquidity into the electricity market to support various initiatives including the Regulated Price Plan (RPP), the Rural or Remote Electricity Rate Protection (RRRP), the new Ontario Electricity Support Program (OESP), the various conservation programs and overall market liquidity.
    - The $975M facility was not intended to provide long-term financing.
- If IESO required longer-term financing, additional due diligence and considerations on term and rate, accounting treatment, and appropriate approvals would be required.
    - OEFC or OFA involvement (in addition to managing the Provincial borrowing plan, including for any capital contribution / equity injection into OPG) in providing short or longer-term financing would potentially require government policy approval and a revised Minister's Directive.
- In the Minister's Directive signed November 28, 2016, facilitates the lending agreement between the OFA and IESO until the end of 2019 and has the term restriction of 28 to 95 days, essentially providing short-term liquidity for the IESO.

3. Cochrane Solar Project Issue

- The Cochrane Solar Project (CSP) submitted its application to the Aboriginal Loan Guarantee Program (ALGP) early in 2015. In early 2017 ALGP staff became aware that the CSP is only performing at 75% of forecast for the nineteen months ended

January 2017. The underperformance is attributable to snow accumulation on the panels. Winters to date actually witnessed higher temperatures and lower accumulation of snowfall compared to averages for the area.

  - The CSP has experienced significant cost overruns due to foundation issues. The increased capital costs (~25%) were borne by Northland Power Inc. (the Applicant's Partner "NPI").
  - The Applicant is owned by two First Nations, one was the recent beneficiary of an ALGP guarantee for its ownership interest in the Peter Sutherland Sr. Generating Station. The other First Nation has shown frustration at the lack of progress on the ALGP application for the CSP.

- For this application staff have considered an outright decline to the application or alternatively propose to size the guarantee based upon accepting actual output to date as reflective of the longer term average.
  - Generally, the ALGP would size the loan based upon a statistically conservative analysis compared to forecast as opposed to having actual output data.
- If the partner can develop an effective and successfully evidenced snow clearing plan, a guarantee may be increased at a later date. It should be noted that snow clearing is not well developed in the solar industry and that a guarantee at this time would reflect a more aggressive view to output than the ALGP would normally employ and as such the risk of a call under the guarantee would increase.
- Also noteworthy is that the partnership between the Applicant and NPI is not unwound in the event that a guarantee is not awarded. NPI would then be in a realization position of monies advanced to the Applicant with the possible outcome that the ownership interests of the Applicant are extinguished by NPI.

4. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
  - OEFC Legal has advised that a direction would not be required for this, and that indication (via email or letter) from the MO would be sufficient for OEFC to initiate recovery over six months.
- In the past, for the recovery of retroactive payments to applicant NUGs (who were party to the lawsuit), the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months; no indication of approval was required from the MO as the letter was directly sent to the CEO of OEFC.
- Staff estimate that approximately $55 million in retroactive payments to standstill NUGs have yet to be recovered from IESO and that the additional interest cost of

recovering over 6 months instead of recovering in one month as per OEFC's usual processes is $115,000.

5. OPG 2017-19 Business Plan

- OPG submitted its 2017-19 Business Plan to the Ministry of Energy for concurrence, and the Plan will be submitted to Treasury Board for review in May.
- The OPG BP submission pre-dates the proposed plan for OPG's role in the Fair Hydro Plan.
- CEFD is currently reviewing the draft TB submission materials and will work with TBS on the assessment note.

OTHER ISSUES

6. FAA Section 28 Modernization

- An OFA/MOF/TBS working group has developed options for modernizing s.28 of the FAA.
- Proposed amendments to FAA s.28 have been drafted to:
    (i) give the Minister of Finance or the President of Treasury Board the authority to prescribe in regulation public entities or classes of public entities that would be subject to s. 28; and
    (ii) give the LGIC the authority to make regulations to define terms used in section 28 that are not already defined in the Act.

7. S. 28 Class Exemption for Colleges

- MAESD will be bring forward a formal request from their Minister to the Minister of Finance and the President of Treasury Board for a proposed regulation that exempts certain financing, operating and capital transactions from s. 28 approval requirements, based on pre-defined criteria/thresholds.

8. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance has been made.

9. FSCO – Stelco Pension Issue

- As part of a transaction that will allow Stelco to come out of bankruptcy, the parent of Stelco, US Steel, has proposed a sale to Bedrock Industries. This sale limits Bedrock's exposure to the pension plan liabilities.
- The Superintendent of FSCO will temporarily be the nominal administrator of Stelco's 5 pension plans and will be responsible for the related administrative contracts. As the Superintendent is also the regulator, he will subcontract this responsibility in a sole source contract to an administrator.
- The assumption of these contracts by FSCO will require Treasury Board and Minister of Finance s.28 approval.

ANNOTATED AGENDA
DEC 12TH 8:30 – [redacted] 2017

EXECTRUST PL & ASSET CAP TRNSCTN RUN ORTLN DEC 2017

1. Green to Gas Hyd-eFuel – Equity Injection
Staff from ECSI, GRI, capital markets, Ministry of Finance, and GPC-I continue to discuss the mechanics behind an equity injection between the Province and GPC-I in order to finance the Green to Gas project.

- The ECSI, and FAG-I staff are working to establish briefly and make required on the financial arrangements for the equity injection.

2. ECSI-I Credit Facility – BETM for Interim
- ECSI-I shared the potential requirements for financing the Tan-Yuhn Newest Project.
  - The possibility may warrant of the ECSI relying on the existing BETM credit facility to provide the interim financing for the project during construction.
  - One of the main uses of the BETM credit facility is to provide liquidity into the Electricity Transmission Expansion Fund (ETEF) and the Electricity Transmission Plan (ETP) the Power of Outlook Planning Stage 8 standard [ESSP] that new Scholar Transmission Expansion Plan Project [SEP2], the various conservation programs and overall market liquidity.
  - The BETM facility was not intended to provide long-term financing.
  - Any potential changes to the BETM facility would require various amendments, an open and new, accounting treatment, and appropriate approvals would be required.
    - An OEN investment (in addition to managing the Province borrowing plans including for any capital contribution / equity injection into GPC) is providing short or long-term financing would potentially require government policy direction and approval from Cabinet.
- The Minister's Directive signed in December 20, 2016, facilitates the lending arrangement between the ECSI-I and the BETM credit facility with a maximum restriction of 30-to 90 days, essentially providing short-term liquidity for the ECSI-I.

3. Additional Solar Project Update
- [redacted]

[redacted]

- The EAP-CAP submission pre-dates the proposed plan for DFO's role in the Tan Ho Law Fishery.
- DFO is currently reviewing the draft TR submission materials and will provide with TMX, on the assessment note.

STRICTLY SECRET

[redacted] Section 28 Modernisation

- [redacted] NEXTERO working group has developed options for modernising s.28 of the [redacted]
- Proposed amendments to the [redacted] have been drafted to:
  - (i) Clarify the circumstances in which the Minister of Treasury & Audit has authority to prescribe in regulation public entities, or classes of public entities, as being subject to section 28; and
  - (ii) Limit the [redacted] from exercising its regulatory powers in relation to matters raised in section 28 that are not already defined in the Act.

[redacted] Public sector fair dealing

- [redacted] [redacted] [redacted]

From:	Ronald Kwan
To:	Emily Kerr
Cc:	Gavin He; James McBride; Heather Fraser
Subject:	RE: CEFD and MO | Bi-Weekly - draft Agenda
Date:	Monday, May 15, 2017 12:50:21 PM
Attachments:	Annotated Agenda MO May 15 2017_v3.docx Annotated Agenda MO May 15 2017_v2_MNO_Markup.docx

Thanks Emily.

I made a few suggested changes, mostly on formatting.

Ron

From: Emily Kerr
Sent: May-15-17 11:52
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Heather Fraser <Heather.Fraser@ofina.on.ca>; James McBride <James.McBride@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda

Hi Ron,

Material on MNO has been added at the end of the attached version of the MO bi-weekly agenda.

Emily

From: Ronald Kwan
Sent: Monday, May 15, 2017 10:18 AM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda

Hi,

Would SPFB also add in a short status update on MNO, including next steps, potential timelines.

Thanks,
Ron

From: Deena Padamadan
Sent: May-13-17 11:10
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Fwd: CEFD and MO | Bi-Weekly - draft Agenda

Hi Ron,

EFB/CFB are fine with your edits. Please see attached SPFB's edits for your review.

Thanks,
Deena

Begin forwarded message:

> **From:** Deena Padamadan <Deena.Padamadan@ofina.on.ca>
> **Date:** May 12, 2017 at 5:38:10 PM EDT
> **To:** Mara Bakic <Mara.Bakic@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
> **Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda**
>
> Hi Mara & John,
>
> Please see attached Ron's edits for your review.
>
> Thanks,
> Deena

ANNOTATED AGENDA
MO UPDATE: May 15, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. MNO Solar Inc. ALGP Application

- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate nameplate capacity of about 13 MW. All sites have reached commercial operation.
- In July 2016, MNO Solar Inc. received a conditional offer of a loan guarantee under the ALGP for $6.471 million. MNO accepted the conditional offer in August 2016.
- At this point, there is no reason to believe that the guarantee agreement will not be successfully concluded.
- OFA comments on some key documentation, including the limited partnership agreement, and intercompany loan agreements, remain unaddressed.
    - MNO Solar Inc. counsel have previously indicated that they needed to engage with their partner, BrightRoof Solar, to address these comments.
    - To assist with this engagement and at the request of MNO Solar Inc. counsel, the OFA and TD Bank, the Lender under the guarantee agreement, shared a draft of the Loan Agreement with MNO Solar Inc. counsel on February 8.
    - MNO Solar Inc. counsel met with their partner May 10 and has informed the OFA to expect updated documentation as early as the week of May 22.
- An initial financial model and project report was prepared by the OFA's due diligence advisors to support the conditional offer.
    - These are being updated to reflect recently received information.
    - The OFA continues to wait on the amortization schedules for the Intercompany Loan Agreement, a summary of operating costs to-date, and a summary of historical generation to-date, to complete the financial modelling and project report to support the conclusion of the guarantee process and the final size of the loan guarantee under the ALGP. This outstanding information should also be forthcoming as early as the week of May 22.
- The OFA has worked with Ministry of Finance Legal Services to prepare a draft guarantee agreement based on current documentation in order to be able to move forward with negotiations once updated documentation is available.
    - Once the updated documentation is provided, the OFA will review to identify any remaining outstanding issues.
    - At that point, active engagement between the OFA, MOF Legal, TD Bank and MNO Solar Inc. can take place to successfully conclude the guarantee agreement and associated documentation.
    - The process of documentation negotiation between parties usually takes several months.

2. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection, with common equity structure [with a new class of shares] looking to be the mechanism.

3. IESO Credit Facility – FHP Requirements

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - A letter requesting incremental credit facility of $1.5 Bn in potential borrowing requirements is requested, composed of a new FHP-purpose facility of $2 bn, and a reduction of the existing $975 million facility to $475 million.
    - OFA expressed the view to IESO that a new, separate facility for FHP would better track the amounts related to the FHP.
- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
- To allow for this [add wording in on the required OIC amendment to expand the OFA's total amount of credit facilities].

4. Cochrane Solar Project Update

- The Cochrane Solar Project (CSP) submitted its application to the Aboriginal Loan Guarantee Program (ALGP) early in 2015.
    - The Applicant purchased its equity interest in October 2015.
- In early 2017 ALGP staff became aware that the CSP is only performing at 75% of forecast for the twenty two months ended April 2017. The underperformance is attributable to snow accumulation on the panels.
- For this application staff have raised with the advisor for the applicants the possibilities of considering deferring the application until more generation experience exists to support the requested amount, or, alternatively, to size the guarantee based upon, e.g., lower actual output to date as reflective of the longer term average.
    - Generally, the ALGP would size the loan based upon a statistically conservative analysis compared to forecast as opposed to having actual output data.
    - Even based on actual data to date, the loan supportable would be estimated at about half the amount applied for to be guaranteed – TBD, subject to further due diligence.
- If the partner can develop an effective and successfully evidence better output from, e.g., a snow clearing plan, an initial lower guarantee amount may be increased at a later date.

- The Applicant and its project partner are considering the impacts or either option and will be advising ALGP staff after further reflection.

5. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as they believe a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
- Staff are reviewing options to address Northland's concerns and facilitate the negotiation process with IESO.
- At present, IESO has short term curtailment agreements with 4 other NUGs and is working towards a long term curtailment agreement with Iroquois Falls.

6. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
- A response letter has been drafted for the Minister of Finance's signature that will serve as both a response to Minister of Energy and as an authorization for OEFC to recover payments over 6 months.

OTHER ISSUES

7. College Class Exemption Regulation

- Expecting request from MAESD Minister to Minister of Finance for limited college class exemption regulation based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending enabling legislation, review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD will be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

8. Ottawa Convention Centre (OCC) Loan

- OCC has recently notified the OFA of a material adverse change pursuant to their loan agreement and that the OCC Board is requesting that the Ministry of Tourism, Culture and Sport assume the OCC's redevelopment debt.
- OFA will be working with MTCS and OCC on reviewing the OCC and loan workout options.

9. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.
- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

ANNOTATED AGENDA
GEC GP&A 09 - May 15, 2017

STAFF TRACTY 'A' ASSET OPTIMIZATION REFLECTED ISSUES:

1. MAUI Kular Inc. dba EIP Application

- The MAUI Kular Inc. projects is a portfolio of 53 small solar projects with an aggregate nameplate capacity of about 13.5MW. All sites have reached commercial operation.
- The MAUI Kular Inc. EIP application was submitted to the IESO on December 2016 and the EIP for $6.13 million. MAUI accepted the conditional offer in August 2016.
- MAUI Kular Inc. has been unable to finalize their financing arrangement with its bank.
- The IESO continues to review the documentation, including the limited partnership agreement, and loan/company loan agreements, remain unaddressed.
- MAUI Kular Inc. has been unsuccessful in finding a financial institution willing to engage as a third party partner, to guarantee their loan or address these outstanding issues.
  - To assist with this engagement and at the request of MAUI Kular Inc. counsel, the IESO and MAUI Kular Inc. executed a confidentiality agreement in order to permit a meet-in-the-room engagement with MAUI Kular Inc. financial and advisors.
  - MAUI Kular Inc. counsel met with their partner (May 10) and has informed the IESO that they are unable to proceed with the project at this time.
- Initial financial model and project plan was prepared by the IESO's due diligence consultant, Navigant Consulting.
  - These are being updated to reflect recently received information.
- The IESO continues to work on the amortization schedules for the loan/company loan agreement, a summary of operating costs to date, and a summary of expenditures associated with the project. The IESO is also working on a report to support the conclusion of the guarantee process and the final rate of the guarantee fee (the IESO is aiming to have this report completed by the end of June 2017).
- The IESO has engaged Torys LLP and Legal Services to prepare a draft guarantee agreement based on current documentation in order to be able to move forward with negotiations once updated documentation is available.
  - Once updated documentation is provided, the IESO will review to identify any remaining outstanding issues.
  - At that point, active engagement between the IESO, MOF Legal, TD, Bank and Torys LLP will be required to negotiate and successfully conclude the guarantee agreement and associated documentation.
  - The process of documentation negotiation between parties usually takes several months.

Confidential Information

3. Green Hill Trust of Fuel – Equity Injection

Staff from CETD, ICED, capital markets, Ministry of Finance, and GFLA working group.

- Green Hill Trust of Fuel (GHTF) is a joint venture between the Province and GFLA to support the Green Fuel Hybrid Fleet.
- The CETD and ICED staff are working to establish clarity and value required on the Province's equity injection into GHTF to support the common equity revenue (profit a main class of shares) backing to the shareholder.

4. IESO Credit Facility – DSP Requirements

IESO stated the potential requirements for financing the Tech Hydro because:

- a) Is now requesting incremental credit facility of $2.5-5m in potential borrowing requirements to stagnated completed of a new DSP ongoing facility of $2.5m, and; a statement of the current DSP loans owing to $2.1 million.
- b) Is now requesting an additional $2.5m in new expenses facility for DSP unpaid loaner loans into amounts related to the DSP.
- Staff are preparing a draft Minister's Directive to the OEB, to provide the new and additional funding to the DSP.
- To allow for this Lake pending it on the required OIC amendment to expand the OEB's total amount of credit facilities).

5. Confirmed Solar Project Update

- The Conceptual Solar Project (CSP) submitted its application to the Aboriginal Loan Guarantee Program (ALGP) on June 2017.
  - The Applicant purchased the equity interest on October 2015.
- In early 2017, ALGP staff became aware that the CSP is only performing at 75% of the expected capacity (i.e. 75% of the 10MW DC). The independent failure is attributable to snow accumulation on the panels.
- For this, application staff have raised with the address for the applicants the potential for additional equity contributions to cover the shortfall in the project performance (note to support the equipment and facts, of, shortcomings, to avoid the guarantee payments to the lenders, and to avoid the guarantee payments to the lenders, on average.
  - Currently, the ALGP would view the loan loss will upon a statistically commercially analysis contained in forecast as opposed to having actual, input to date.
  - If (non-based on actual data to date, the loan supportable would be: estimated at above half the amount applied for to the guarantee) – TBC, subject to further due diligence.

- If the partner can develop an effective and commercially sustainable better model them, e.g. a new clearing plant, an initial import guarantee allowance may be increased or a top-up.
- The Applicant and the project partner are considering the impacts a rollout option and will be advising ECIT shall after further refinement.

5. NUG Curtailm ent

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls Non-Utility Generator (NUG) project, the IESO has developed a standard Northland Power Iroquois Falls Power Purchase Agreement (PPA) to add Iroquois Falls for the remainder of that PPA's term, which ends on December 31, 2035 (the Iroquois Falls PPA).
- Curtailment orders are used to eliminate the HTAL de-they-hedging & temperature could be exported to the IESO-controlled grid. Curtailment orders are issued by the IESO to the IESO's sole solution of the non-dispatch and individuals used of the Iroquois Falls PPA, which has also proposed to be used in a curtailment agreement with IESO.
- The IESO has developed a process that addresses Northland's concerns and facilitates the negotiation process with IESO.
- At present, IESO has short-term curtailment agreements with 6 other NUGs and is working towards a long-term curtailment agreement with Iroquois Falls.

6. Summary of Scenario2/Alt1 paper.pptx

- Scenario 2 was developed by Navigant, sent sixteen to the Minister of Finance requesting that the Minister direct OEFC to recover nonsensitive payments in excess of the Global Adjustment Account (GA) from ratepayers. Under Scenario 2, OEFC would recover only month payment to ensure greater consistency with the smoothed GA rate. Scenario 2 is illustrated in the attached.
- A response letter has been drafted for the Minister of Finance's signature that will serve as both a response to Minister Jeff Yaegr, and as an authorization for OEFC to implement Scenario 2 if desired.

7. College Class Exemption Regulation

- Expanding regulation from MoESD Minister to Minister of Finance for limited college class exemptions to be consistent with Bill 124 and Bill 31.
- For the time being it is assumed that colleges are not going to be exempted and any entity (new spending enabling legislation, review all regulations under the revised regulation... including frivolous cases or potential worries to properties or way), and

MAID/DG will be proceeding with the request for a more limited class exemption under the existing Rule 4.06 provisions.

6. Ontario Gamebird Farms (OGC) Issue

- OGC has recently notified the OPB of a material, adverse change pursuant to their loan agreement and that the OGC Board is requesting that the Ministry of Tourism, Culture and Sport provide a bridge loan to OGC.
- OPB will be working with MTCS and OGC on reviewing the OGC, and loan ordered request.

8. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's approval to terminate the Province's participation in the Immigrant Investor Program (IIP) operated by the Canada Immigrant Investor Corporation (CIIC). In the 1990's, the IIP was a popular route for immigration to Canada, and many visas are projected to be in the pipeline.
- The Province can trigger a suspension of the Ministerial Guarantee and cease a participation in the IIP by providing notice to the CIIC. The CIIC has been advised that the Province intends to no longer guarantee the investments of any loans made after December 31, 2015 under the IIP.
  - The termination notice should be delivered before the next allocations of federal monies. Otherwise the next intern of the CIIC could be pushed back to 2020-23.
- Ontario has been working with the federal government and the CIIC to negotiate and ensure that the outstanding obligations to immigrant investors will be met in their entirety.

From:	Deena Padamadan
To:	Gavin He; Ronald Kwan; Hsu, Priscilla (MOF); Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE)
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Monday, June 12, 2017 1:02:44 PM
Attachments:	Agenda MO June122017_CEFD.docx

Hello All,

Please find attached the agenda for today's meeting.

-----Original Appointment-----
From: Gavin He
Sent: Friday, June 09, 2017 2:16 PM
To: Gavin He; Ronald Kwan; Hsu, Priscilla (MOF); Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE)
Cc: Deena Padamadan
Subject: FW: CEFD and MO | Bi-Weekly
When: Monday, June 12, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

-----Original Appointment-----
From: Gavin He
Sent: Tuesday, April 25, 2017 9:48 AM
To: Gavin He; Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); Ronald Kwan; Hsu, Priscilla (MOF)
Subject: CEFD and MO | Bi-Weekly
When: Monday, June 12, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Thanks,

Gavin He

AGENDA
MO UPDATE: June 12, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **IESO Credit Facility - FHP Requirements**
2. **Section 28 Approval for Indemnities**
3. **Provincial Support Agreement or Provincial Guarantee Agreement**
4. **NUG Curtailment**
5. **Fair Hydro Plan – NUG Impact**
6. **Constance Lake Meeting Request**
7. **MNO Solar Inc. ALGP Application**
8. **Cochrane Solar Project Update**
9. **Other Applicants to the ALGP**
10. **Trillium Trust Regulations**
11. **OPG Financial Guarantee to the CNSC**

OTHER ISSUES

1. **Stelco Transaction**
2. **College Class Exemption Regulation**
3. **Immigrant Investor Program – Notice of Termination**

From: Ronald Kwan
To: Gavin He
Subject: RE: CEFD and MO | Bi-Weekly
Date: Monday, April 03, 2017 10:37:41 AM
Attachments: Annotated Agenda MO April 3 2017_CEFD_v2_Markup.docx

---

Thanks Gavin.

I shortened it up a little.

Would you also print up a few copies of the TB Report Back and assessment note.

Ron

From: Gavin He
Sent: April-03-17 09:48
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

SIFB and SPFB have added those 2 items based your comments. Please see #1 and #8.

Regards,
Gavin He

From: Ronald Kwan
Sent: Monday, April 03, 2017 1:28 AM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Thanks Gavin.

Let's keep some sections a little shorter, and let's add a couple.

Ron

From: Gavin He
Sent: April-02-17 12:09 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Please find attached the draft annotate agenda for your review.

Thanks,
Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Pearce, Christopher (MOF); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Maimona, Mashoka (MOF); Gwendolynne Young (ENE)
Subject: CEFD and MO | Bi-Weekly
When: Monday, April 03, 2017 1:00 PM-1:30 PM (UTC-05:00) Eastern Time (US & Canada).
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Bi-weekly meetings of CEFD/DMO/MO.

CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
SEC LETTER 57 - April 5, 2017

Public Meeting to Recommend Rules Relating to Issuers

1. SEC's Investor Advisory Committee

Recommendation of the Investor Advisory Committee regarding Rule 3a-7 of the Investment Company Act of 1940 and Rule 144A of the Securities Act of 1933 with respect to Collateralized Loan Obligations (CLOs)

- The Committee on April 7, 2016 recommended that the Commission and its staff undertake a review of the current regulatory framework for CLOs.
- The Committee recommends that the Commission and its staff consider the following issues in connection with its review of the current regulatory framework for CLOs:
  - Whether the Commission should revise Rule 3a-7 to permit CLOs to issue debt securities to qualified institutional buyers ("QIBs") pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"); and
  - Whether the Commission should revise Rule 3a-7 to permit CLOs to issue debt securities to QIBs pursuant to Rule 144A under the Securities Act and to sell such securities to retail investors.

CLOs are a form of asset-backed security which has historically been backed by a portfolio of senior secured loans. CLOs issue debt and equity securities and use the proceeds to purchase a portfolio of senior secured loans. The debt issued by CLOs is rated by nationally recognized statistical rating organizations ("NRSROs"). The equity issued by CLOs is not rated by NRSROs.

- CLOs typically rely on Rule 3a-7 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), for an exemption from registration as an investment company.
  - In general, Rule 3a-7 provides an exemption from registration as an investment company for a qualifying issuer of fixed income securities that limits the powers through which the issuer may operate.

Rule 430A – Financial Benefit to GE 82, (a), 82.2 of the Electricity Act, 2003
Ministry of Finance is drafting a Treasury Board submission for the May 17 Treasury Board meeting to provide a financial benefit to the Ontario Electricity Financial Corporation ("OEFC") in connection with the Fair Hydro Plan Act, 2017 (the "Act"). The submission will require the Minister's signed approval by April 24.

- The financial benefit is being provided to the OEFC to enable it to provide ERTC and a financial benefit to the Province with Hydro One shares.
- The financial benefit is being paid as a result of the ownership offering of Hydro One shares.

- The payment is finally neutral as the expense to the Ministry of Finance is fully offset against the receipt of revenue on GEFC on consolidation of GEFC in the Public Accounts.
- The Province would receive on GEFC in 2016-17 that would be administered in 2017-18 by remitting dividends by GEFC to the Province.

Hydro One – Financial Benefit to GE (s. 3(1.2) of the Electricity Act, 1998)

The Ministry of Finance is drafting a Treasury Board submission requesting a Penalty Order under s. 3(1.2) of the Electricity Act, 1998 to direct GEFC to pay to the Province, as shareholder, Hydro One Inc., Hydro One Limited, Hydro One Brampton Networks Inc., Hydro One Networks Inc., Hydro One Remote Communities Inc., Hydro One Sault Ste. Marie LP, Peterborough Distribution Incorporated, Norfolk Power Inc., Woodstock Hydro Services Inc., Haldimand County Hydro Inc., Cambridge and North Dumfries Hydro Inc., Midland Power Utility Corporation, Niagara Peninsula Energy Inc., Orangeville Hydro Limited, Parry Sound Power Corporation, Port Colborne Hydro Inc., Wasaga Distribution Inc., Welland Hydro-Electric System Corp., Woodstock Hydro Services Inc., Hydro One Telecom Inc. and Hydro One Networks Inc. (collectively, the "Hydro One Companies"), the amount by which the Taxable Income of the Hydro One Companies and their subsidiaries, if any, exceeds the Taxable Income of the Hydro One Companies and their subsidiaries, in the taxation year for the Hydro One Companies and their subsidiaries, to continue to help sustain and pay down the electricity rate reduction.

- An ger caution (s. 2 of the Electricity Act, 1998, the Minister of Finance is to pay the amount received under the Penalty Order to the Province to assist in the payment of stranded debt the Taxable Income, if any, that exceeds the Taxable Income of the Hydro One Companies and their subsidiaries, to continue to help sustain and pay down the electricity rate reduction.
- The payment is finally neutral as the expense is fully offset against the receipt of revenue on GEFC on consolidation in the Public Accounts.

Hydro One – Payment of Profits

The Province has now paid to GEFC the proceeds related to the book value of shares from the April 2015 transaction with OPG.

- The Province has now paid proceeds, totalling about $3.3 billion, have been paid to GEFC to enable GEFC to repay its debt and other payables with OPG.
- The payment is finally neutral as the expense to the Province of proceeds from Province to GEFC can be offset by a pay down a targeted $3 billion in debt.
- This follows from the Province's payment to GEFC earlier in 2016-17 of about $3.1 billion in proceeds related to the book value of shares sold in November 2015.
- The Province has now paid to GEFC the proceeds related to the book value of shares the Province prior to the Hydro One IPO that was used to pay down debt and other payables with GEFC in 2015-16.

Power to Get Hydro of Own – if equity injections

Staff from GEFC, OEB, capital markets, Ministry of Finance, and OPG continue to discuss the undertakings behind an equity injection between the Province and OPG in relation to the Hydro One IPO.

- The GEFC and EAG staff are working to establish it early and keeps required on the ministerial approval from the equity injection, however, additional questions were raised during the discussion.

Federal Investment Tax Credit (ITC) Application for Qualified Fuel Cell Property

Fuel Cell Purchase Transport Motors Series Section – Designed for Use

On March 23, 2017, the CRA was contacted by the Ministry of Northern Development and Mines (MNDM) to request a meeting to discuss the application of the ITC to...

- This required access to the drivers, at least a year, by the Minister. The Minister may request a results from the [illegible] to have objectives, [illegible] half been [illegible] [illegible] [illegible]

- An ECN-MOITRC working group has developed options for modernising s.26 of the Act.
- Proposed amendments to PUA s.26 have been distilled to:
  (1) Require the Minister of Finance and the Treasury Board the authority to prescribe a regulatory charge, levy, or measure of public ownership to recover costs of the regulator; and
  (2) give the UCC the authority to make regulations to define terms used in section 26 that are not already defined in the Act.

Slide 5 – Blue skies Fuel Hedging

- Intention is a planning to hedge its fuel costs by entering into financial derivatives contracts with a financial institution. Approval of the Treasury Board and the Federal Minister of Finance approval of any associated investments by law and or new
- Approval of the Treasury Board is required.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

Slide 6 – PUCA – Pension Pension Issue

- As part of a loan waiver that will allow Cabco to come out of bankruptcy, the system of pensions will be transferred to Quebec Employee Pensions. This loan waiver absorbs a responsibility of $100 pension plan liabilities.
- The pension plan is currently underfunded by the nominal subordination of Cabco's 51 percent stake and will be responsible for the related full administrative contracts. As the Superintendent is also the regulator, he will moderation this
- Cabco's pension plan is currently underfunded by $100 million.
- The assumption of these contracts by PUCA will require Treasury Board and Minister of Finance to all approval.

From: Gavin He
To: Ronald Kwan
Subject: RE: CEFD and MO | Bi-Weekly
Date: Monday, April 03, 2017 9:48:12 AM
Attachments: Annotated Agenda MO April 3 2017_CEFD_v2.docx

Hi Ron,

SIFB and SPFB have added those 2 items based your comments. Please see #1 and #8.

Regards,
Gavin He

From: Ronald Kwan
Sent: Monday, April 03, 2017 1:28 AM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

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Ron

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Subject: RE: CEFD and MO | Bi-Weekly

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Please find attached the draft annotate agenda for your review.

Thanks,
Gavin He

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Sent: Monday, November 28, 2016 12:36 PM
To: Pearce, Christopher (MOF); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Maimona, Mashoka (MOF); Gwendolynne Young (ENE)
Subject: CEFD and MO | Bi-Weekly

When: Monday, April 03, 2017 1:00 PM-1:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.

CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
SEC LETTER OF August 8, 2017

Item 1 Staff's Request for Information Relating to Its Review

1. SEC's Financial Ability to Continue Jobs

As disclosed on Pg. 26 of Item 3.02 of Form 8-K/A1 on July 6, 2017, the Company has a working capital deficiency of $1,181,000 as of March 31, 2017.

As disclosed on Pg. 27 of Item 3.02 of Form 8-K/A1 on July 6, 2017, the Company has not yet commenced any revenue generating operations.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing and the success of future operations.

As of March 31, 2017, the Company had cash of $3,000 to support its future operations.

Management estimates that the current funds available will be sufficient to allow the Company to operate for approximately one month.

Management believes that it will be necessary to raise additional funds through public or private financings, strategic relationships or other arrangements in order to have sufficient funds to continue operations for the next twelve months.

Accordingly, management has determined that these factors raise substantial doubt about the Company's ability to continue as a going concern for a period of one year from the date of this report.

The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In addition, our annual report on Form 10-K for the year ended December 31, 2016 includes an explanatory paragraph regarding our ability to continue as a going concern.

Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent registered public accounting firm.

Our financial statements do not include any adjustments that might result from our inability to consummate our planned financing.

Please explain how you intend to fund your operations over the next twelve months.

Please explain how your disclosure complies with the provisions of the public company auditing standards that require an explanatory paragraph when there is substantial doubt about the entity's ability to continue as a going concern.

Item 2 Mark-a-Vision – Financial Benefit to OM 2c, Inc. Not at the Expense of Mark-a-Vision

Mark-a-Vision is a Nevada corporation formed on February 24, 2017 to engage in the business of Green Energy Energy and Oil and Gas Services and the Integrated Electricity Digital Currency Corporation (IEDCC) in accordance with s. 10(1) of the Electricity Act, 2006. The Corporation is authorized to issue 75,000,000 shares of common stock.

- Under the Exchange Act, the attorney of Phoenix is to provide OM 2c with a financial benefit derived from Phoenix sale Hydro One shares.
- Mark-a-Vision has not received a listing past as a result of the ownership offering of Hydro One shares on April 2015.

- The payment is finally neutral as the expense to the Ministry of Finance is fully offset against the receipt of revenue at CEFC on consolidation of CEFC in the Public Accounts.
- The Hydro would accrue to CEFC in 2043-44 if that would be administered in 2047-48 by vending stock owned by CEFC to the IFT techno

Hydro Hive – Financial Benefit to GE IC, (s. 54.2 of the Electricity Act, 1948)

The Ministry of Finance is drafting a Taxpayer Benefit submission requesting a Penalty Waiver for the Hydro Hive Project. The Hydro Hive Project is a joint venture (JV) organization Thyme Zero Inc., Promised Corporate Tax Provisions, the Electricity Act, 1948.

- As per section 54.2 of the Electricity Act, 1948, the Minister of Finance is to pay the Hydro Hive Project a penalty waiver of 50% of the amount levied by the CEFC under the Taxation Act, 2007 S.a., the applicable JV partners levied by the CEFC and its subsidiaries, to continue to help sustain and pay down the electricity sector debt.
- The payment is finally neutral as the expense is fully offset against the receipt of revenue at CEFC, on consolidation in PAP data & accounts.

Hydro Hive – Payment of Profits

The Province has now paid to CEFC the proceeds related to the book value of shares held in the April 2020 sale to CEFC, as follows:

- The Province has received proceeds, totalling about $3.2 billion, have been paid to CEFC to repay [illegible] loans to debt and other payables with CEFC.
- The Province has also received approximately $1.2 billion in proceeds from third parties that will be directly to pay down a targeted $5 billion in debt.
- This follows from the Province's payment to CEFC, earlier in 2016-17 of about $3.1 billion in proceeds related to the book value of shares sold in November 2015.
- The Province has also received approximately $1.2 billion in proceeds from the Province prior to the Hydro One IPO that was used to pay down debt and other payables with CEFC in 2015-16.

Power to Get Hydro Hive – JI equity injections

Staff from CEFC, GIH, capital markets, Ministry of Finance, and OPG continue to discuss the underlying rational go equity injection between the Province and OPG in relation to the Hydro Hive Project.

- The CEFC and GIH staff are working to establish it early and keeps required on the transactional agreements for the equity injection, however, additional questions were raised during the discussion.

Subject: Investment Summary and Request for Approval – Proposed Sale of Crest Hollow Retail Complex to Meridian Capital Partners LLC

On March 03, 2027, the CRB was contacted by the Ministry of Northern Development regarding the sale of the Crest Hollow Retail Complex, located at 1420 Birchwood Drive, Suite 12...

- The retained actuary is the shrink, at least a sale, by this decision [illegible] [illegible] returned to results from [illegible] to main depositories [illegible] [illegible] 12% YE, half been [illegible] [illegible] [illegible]

- Bill 181, the Canada Infrastructure Investments Act (Canada Strong Act), which would, among other things, amend the Canada Infrastructure Bank Act (CIBA)
  - Bill C-5, an Act to enact the Building Canada Act and the Impact Assessment Act
  - Bill C-15, an Act to implement the United Nations Declaration on the Rights of Indigenous Peoples Act and to make consequential amendments to other Acts
  - Bill C-69, an Act to enact the Canadian Energy Regulator Act, the Impact Assessment Act and the Physical Activities Implementation Act and to amend or repeal certain Acts and parts of Acts
- Bill C-69 (S.C. 2019, c. 28), amending the Canadian Environmental Assessment Act, 2012 and other Acts, which, among other things, enacts the Impact Assessment Act, which establishes a process for the assessment of designated projects
- Bill C-48, the Oil Tanker Moratorium Act, which, among other things, enacts the Oil Tanker Moratorium Act, which prohibits vessels that carry crude oil, persistent oil or petroleum products as cargo from stopping, loading, unloading or transferring cargo at a port or an offshore terminal in Canada or from anchoring in Canada's exclusive economic zone or in the marine waters that are adjacent to the coast of British Columbia

C-5 Bank Issues

Bank Section 28 Modernization

- Aon/CSN NEXTBID working group has developed options for modernizing s.28 of the Bank Act
- Proposed amendments to Pillar 2 of Basel have been ratified by:
  - (i) plus the Minister of Finance on the [President of Treasury Board has the authority to make regulations respecting the definition of] or measure of public entities that could be subject to s. 28 ; and
  - (ii) the Minister of Finance has the authority to define terms used in section 28 that are not already defined in this Act.

Bank ultra-Cost Hedging

- Subsidy is payment by hedge to bad costs by entering into financial derivatives contracts with Canada's six largest banks. (a notion to be as Alberta's most valuable asset, the province's ability to borrow money at low rates by loan and a new borrowing by law as well as s. 28 approval
- Subsidy payment from the Minister of Transportation to the Minister of Finance is forthcoming

PACE – Debtor Pension Issue

- As part of a transaction that will allow Debtco to come out of bankruptcy, the parent of Debtco, US Steel, has proposed a cash to Buyback Industries. This cash limits Debtco's exposure to the pension plan liabilities.
- Buyback Industries will be the plan sponsor after the eventual administration of Debtco's pension plans and will be responsible for the related US administrative

contracts. As the E-government is also the regulator, he will underreport this responsibility in an audit scene to protect his administration.

4 The assumption of these contracts by PLCAA and regular Treasury Board and review of Finance GE approval.

From:	Ronald Kwan
To:	Gavin He
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Monday, April 03, 2017 1:27:39 AM
Attachments:	Annotated Agenda MO April 3 2017_CEFD_Markup.docx

Thanks Gavin.

Let's keep some sections a little shorter, and let's add a couple.

Ron

From: Gavin He
Sent: April-02-17 12:09 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

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Gavin He

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CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
SEC LETTER OF: April 5, 2017

Topic: Short Title of Issue (Specific Reference Paragraph(s))

1. Hydro One – Financial Benefit to GE EC [s. 79.5 of the ***Electricity Act, 1998***

The Ministry of Finance is drafting a Treasury Board submission requesting a Directive to the Province's proxy on the Hydro One Board of Directors (i.e. the Ontario Electricity Financial Corporation (OEFC)), in accordance with s. 79.5 of the *Electricity Act, 1998*. The Directive would require the OEFC to direct Hydro One to:

- Under the *Electricity Act*, the Attorney of Finance is to provide OEFC with a financial benefit from the Province sells Hydro One shares.
- The benefit to OEFC is being paid as a result of the secondary offering of Hydro One shares in April 2015.
- **The payment is finally made as the payment to the Ministry of Finance is fully** offset against the receipt of revenue of OEFC on consolidation of OEFC in the Public Accounts.
- The benefit would accrue to OEFC in 2016-17 but would be administered in 2017-18 by remitting that revenue by OEFC to the Province.

2. Hydro One – Financial Benefit to GE EC [s. 84.2 of the ***Electricity Act, 1998***

The Ministry of Finance is drafting a Treasury Board submission requesting a Directive to the Province's proxy on the Hydro One Board of Directors (i.e. the Ontario Electricity Financial Corporation (OEFC)), in accordance with s. 84.2 of the *Electricity Act, 1998*. The Directive would require the OEFC to direct Hydro One Inc., Provincial Corporate, the Province, and Electricity Act.

- As per section 84.2 of the Electricity Act, 1998, the Minister of Finance is to pay the amount of the Province's liability under section 84.1 of the Electricity Act, 1998 to which the Taxation Act, 2007 (i.e., the provincial corporate income tax) ...(CT) by HOA and its subsidiaries, to continue to help service and pay down the electricity sector stranded debt.
- The payment is finally made as the payment is fully offset against the receipt of revenue of OEFC on consolidation in and table is available.

3. Hydro One – Purchase of Shares

The Province has now sold its OEFC the proceeds related to the book value of shares sold in the secondary offering of Hydro One.

- The Hydro One shares, totalling about $3.3 billion, have been sold to OEFC to pay down debt owed to debt and other payables with OEFC.

- This payment is part of the governments commitments using proceeds from broadening Hydro One; we recently re-pay them a targeted $5 billion in debt.
- This follows from the Province's payment to LDIC earlier in 2016-17 of about $1.1 billion in dividends and $1.4 billion in debt repayments from Hydro One.
- These amounts are also in addition to the $400 million special dividend received by the Province prior to the Hydro One IPO that was used to pay down debt and other payables and LBETC in 2015-16.

A. Grant to Sun Wyck-el Fen - Equity Injections.

Starting in 2016, ADM, capital partners, Ministry of Finance, and OPG continuously negotiated a Master Agreement, Limited Partnership Agreement and Finance Lease (MFL) to support the Green Fat Hybrid Fuel.

- The GOE, ADM and OPG are moving to establish early and retake required on the Master Agreement, but the equity injection, however, additional questions were raised during the discussions.

B. Grant to Northland Tuskegee Motor Corporation – Request for Loan of Credit

On March 23, 2017, the GOE was contacted by the Ministry of Northern Development and Mines regarding a request for a loan of credit from Northland Tuskegee Motor Co.

- The retained advisors to the driver, at Alpha Loans, by this time had not yet [illegible] returned to him from [illegible] to have repositioned [illegible] 124.12 half been [illegible] to the Ministry of Finance, Ministry of Northern and Mines that money to had by pressure to financing by normal operations.

[illegible] with [illegible] to [illegible]

- Crown Capital Fears (Corporation) ("CAPT"), wholly-owned by Tagless Tagamo Inc. ("Tagless"), is a corporation governed by the CBCA. The Crown Fears Act 2014 allows for investment in or partnership/control as formed to own and operate the JR Shaw Line and Tagless is required to maintain an at least interest rate than the alienation (at least that by parties).
- The conditional offer letter was approved and an OIC was obtained at the December 1, 2016 Cabinet meeting.
  - This application involves the interests of a Ontario 3 seats.
- The binding package was sent to DAD the week of March 20 with an update the week of March 27 to address outstanding issues in the design agreement. A formal update will be sent to provide more details on the legal documents. It is not finalized.

- Sign-off for execution of the loan guarantee within the next few business days would be critical to ensure sufficient time for amplitude associated to be satisfied. Financial close is planned for April 10 so that the borrower can meet its debt service obligations.
- Finalization of Bylaws on public sharing of credit likely be approved by the Board of Directors, not available for a briefing, if requested.

OTHER ISSUES

FAC_ FAA Section 36 Modernization

- [redacted] working group has developed options for modernizing s.36 of the FAA Act.
- Proposal would allow the FAA to enter into agreements with:
  - (i) the Minister of Finance or the President of Treasury Board the authority to prescribe in regulation public entities or classes of public entities to enter agreements with the FAA
  - (ii) the the CEO the authority to enter agreements or define terms used in agreements that are already defined by the Act

NAC_ Mid-shire Coal Hedging

- Mandate is planning to hedge its fuel costs by entering into financial derivatives contracts with Canadian rail-tagged banks. In order to do so, Mandate's most senior director of Finance approval of its planned investments by law and a new regulation under the Act is required.
- A formal request from the Minister of Transportation to the Minister of Finance is pending.

PPC_ PCCO – Enviro Pension Issue

- As part of a transaction that will allow Fabro to come out of bankruptcy, the parent of Fabro, PCCO, will transfer ownership of Fabro's pension plans to PCCO, leaving Fabro's successors in the pension plan liabilities.
- PCCO will be responsible for the funding and the investment administration of Fabro's 3 pension plans and will be responsible for the related HR administrative functions. Fabro's successors will have no ongoing liability with respect the responsibility for a shift scenario related to the pensions.
- The assumption of these contracts by PCCO will require Treasury Board and Minister of Finance's (M. Adams) ok.

From: Gavin He
To: Ronald Kwan
Subject: RE: CEFD and MO | Bi-Weekly
Date: Sunday, April 02, 2017 12:08:41 PM
Attachments: Annotated Agenda MO April 3 2017_CEFD.docx

Hi Ron,

Please find attached the draft annotate agenda for your review.

Thanks,
Gavin He

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CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
MO UPDATE: April 3, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Hydro One – Financial Benefit to OEFC (s. 50.3 of the *Electricity Act, 1998*):

Ministry of Finance is drafting a Treasury Board submission for the May 9 Treasury Board meeting to provide a financial benefit to the Ontario Electricity Financial Corporation (OEFC) in accordance with s. 50.3 of the *Electricity Act, 1998*. The submission will require the Minister's signed approval by April 18.

- Under the *Electricity Act*, the Ministry of Finance is to provide OEFC with a financial benefit when the Province sells Hydro One shares.
- This financial benefit is being paid as a result of the secondary offering of Hydro One shares in April 2016.
- The financial benefit payable to the OEFC is determined to be approximately $411M.
- The payment is fiscally neutral as the expense to the Ministry of Finance is fully offset against the receipt of revenue of OEFC on consolidation of OEFC in the Public Accounts.
- The benefit would accrue to OEFC in 2016-17 but would be administered in 2017-18 by remitting debt owed by OEFC to the Province.

2. Hydro One – Financial Benefit to OEFC (s. 91.2 of the *Electricity Act, 1998*):

The Ministry of Finance is drafting a Treasury Board submission requesting a fiscally-neutral Ministry of Finance increase of $24.8 million in 2016-17 to the statutory appropriation "Hydro One Inc., Provincial Corporate Tax Provision, the *Electricity Act, 1998*".

- As per section 91.2 of the *Electricity Act, 1998*, he Minister of Finance is to pay the Ontario Electricity Financial Corporation (OEFC) an amount equal to tax payable under the *Taxation Act, 2007* (i.e., the provincial corporate income tax -- CIT) by HOI and its subsidiaries, to continue to help service and pay down the electricity sector stranded debt.
- The payment is fiscally neutral as the expense is fully offset against the receipt of revenue of OEFC on consolidation in the Public Accounts.

3. Hydro One – Paydown of Debt:

The Province has now paid to OEFC the proceeds related to the book value of shares sold in the April 2016 secondary offering.

- The proceeds, totalling about $1.3 billion, have been paid to OEFC to pay down the Province's debt and other payables with OEFC.

- This payment is part of the government's commitment to using proceeds from broadening Hydro One ownership to pay down a targeted $5 billion in debt.
- This follows from the Province's payment to OEFC earlier in 2016-17 of about $1.1 billion in proceeds related to the book value of shares sold in November 2015.
- These amounts are also in addition to the $800 million special dividend received by the Province prior to the Hydro One IPO that was used to pay down debt and other payables with OEFC in 2015-16.

4. Ontario Fair Hydro Plan – Equity Injection:

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection; however, additional questions were raised during the discussion:
    - How long will IESO/OPG hold short term liability (weeks/months)?
    - When and how frequently will OPG purchase the asset from IESO? Currently, a monthly frequency is expected vs. the earlier quarterly expectation.
    - OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc)?
- A few action items continue to be worked on by the working group meeting:
    - OPG to continue to work with lead banks / rating agencies / OFA on financing issues.
    - OFA's CMD is also separately procuring a financial advisor.
    - OPG is expected to set up a short-term facility for OPG Trust to finance / hold the asset until it goes to the market
    - ESPD, IESO and OPG to continue discussions around refining refinancing modelling.

5. Ontario Northland Transportation Commission – Request for Line of Credit

On March 13, 2017, the OFA was contacted by the Ministry of Northern Development and Mines (MNDM) with a request to discuss re-establishing a line of credit for ONTC.

- This request appears to be driven, at least in part, by the depletion of a self-insurance reserve fund due to train derailments in 2016/17. ONTC had been using this fund for working capital management, and without that money is facing pressure in financing its normal operations.
- On March 27, OFA staff spoke with staff from MNDM on the issue. MNDM explained that ONTC needed the line of credit to manage differences in timing between the incurring of expenses and receipt of its subsidies from MNDM.

- OFA staff explained that given the financial risks of ONTC's operations, including that ONTC is not self-sufficient on a cash basis, the OFA could only consider offering a line of credit if MNDM were to guarantee payment, possibly through an intercept mechanism.
- MNDM committed to brief internally on the matter and report back to OFA on the discussions.
- ONTC is also going to Treasury Board in the next few months for a mandate review and approval of its three-year business plan. OFA staff conveyed to MNDM staff that approval for a line of credit would need to be provided alongside or after TB has approved these items.

6. Algonquin Treaty Negotiations

- Ministry of Indigenous Relations and Reconciliation (MIRR) staff have contacted CEFD to request water rental charge information for hydro facilities located on Algonquin lands.
    - MIRR is planning on going to Cabinet including to seek authority to,
        - Negotiate a treaty to settle the Algonquin Land Claim between Canada, Ontario and the Algonquins of Ontario.
        - Discuss Resource Revenue Sharing (RRS) in the mining, forestry, and waterpower sectors.
    - MIRR staff have indicated that RRS would be used as a negotiation tool for the purposes of finalizing a treaty.
- Staff are reviewing and will share information that can help inform MIRR's Cabinet submission, subject to MOF legal approval of sharing of water rental charge data (summarized as totals for the relevant facilities).
- Any water rental charges shared with Indigenous communities could have a fiscal impact if it is not accounted for in the fiscal plan.
    - Sharing water rentals may result in further requests to share these charges for other hydro stations. MIRR staff have suggested that any precedent would be limited since the proposed sharing of resource revenues in this case would be in the context of a treaty negotiation.

7. ALGP: Coral Rapids Conditional Offer Package

- Coral Rapids Power Corporation ("CRP"), wholly-owned by Taykwa Tagamou Nation ("TTN"), is seeking a loan guarantee under the ALGP. This loan would allow CRP to finance its investment in a partnership which was formed to own and operate the 28 MW Peter Sutherland Sr. Generating Station at a lower interest rate than the alternative (a loan from its partner).
- The conditional offer letter was approved and an OIC was obtained at the December 13, 2016 LRC meeting.
    - This application involves the interests of a Schedule 1 bank.

- The briefing package was sent to DMO the week of March 20 with an update the week of March 27 to address a proposed revision in the pledge agreement. Approval of this revision as soon as possible would allow for legal documentation to be finalized.
    - Sign off for execution of the loan guarantee within the next few business days would be ideal to ensure sufficient time for conditions precedent to be satisfied. Financial close is planned for April 10 so that the borrower can meet its equity contribution deadline.
    - If staff can facilitate an earlier closing it would likely be appreciated by the borrower. Staff are available for a briefing, if requested.

OTHER ISSUES

8. FAA Section 28 Modernization

- An OFA/MOF/TBS working group has developed options for modernizing s.28 of the FAA.
- Proposed amendments to FAA s.28 have been drafted to:
    (i) give the Minister of Finance or the President of Treasury Board the authority to prescribe in regulation public entities or classes of public entities that would be subject to s. 28; and
    (ii) give the LGIC the authority to make regulations to define terms used in section 28 that are not already defined in the Act.

9. College Class Exemption

- Proposed regulation as well as terms and conditions for the draft Binding Policy Directive for Colleges have been drafted.
- MAESD and OFA currently reviewing the s.28 approval process for financing transactions with a view to further streamlining the process.

10. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

11. FSCO – Stelco Pension Issue

- As part of a transaction that will allow Stelco to come out of bankruptcy, the parent of Stelco, US Steel, has proposed a sale to Bedrock Industries. This sale limits Bedrock's exposure to the pension plan liabilities.
- The Superintendent of FSCO will temporarily be the nominal administrator of Stelco's 5 pension plans and will be responsible for the related 46 administrative contracts. As the Superintendent is also the regulator, he will subcontract this responsibility in a sole source contract to an administrator.
- The assumption of these contracts by FSCO will require Treasury Board and Minister of Finance s.28 approval.

From:	Gavin He
To:	Christopher Pearce (MOI); Ronald Kwan; Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY)
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Monday, March 20, 2017 10:53:16 AM
Attachments:	Agenda MO Mar 20 2017_CEFD.docx

Hi all,

Please find attached the agenda for today's meeting.

Regards,

Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Christopher Pearce (MOI); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY)
Subject: CEFD and MO | Bi-Weekly
When: Monday, March 20, 2017 3:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.
CEFD to set agenda and circulate in advance.

AGENDA
MO UPDATE: March 20, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Trillium Trust**

2. **Ontario Fair Hydro Plan – Equity Injection**

3. **Hydro One – Financial Benefit to OEFC (s. 50.3 of the Electricity Act)**

4. **Global Adjustment Lawsuit Follow-ups**

5. **ALGP: Coral Rapids Conditional Offer Package**

6. **OEFC Lending to IESO**

OTHER ISSUES

1. **FAA Section 28 Modernization**

2. **College Class Exemption**

3. **Metrolinx Fuel Hedging**

From:	John Kim
To:	Gavin He
Cc:	Ronald Kwan
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Tuesday, March 07, 2017 1:25:34 PM
Attachments:	Annotated Agenda MO March 07 2017_CEFD_v2_EFB_Markup2.docx

Pls. see attached.

Thanks,

John.

From: Gavin He
Sent: Tuesday, March 07, 2017 12:59 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: CEFD and MO | Bi-Weekly

Hi John

Please find attached the comments and edits from Ron.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Tuesday, March 07, 2017 12:32 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi,

Some edits, as attached.

Ron

From: Gavin He
Sent: March-07-17 11:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

EFB made some further edits to include OEFC lending to IESO update. Please find attached the

updated agenda for your review.

Regards,
Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Pearce, Christopher (MOF); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Maimona, Mashoka (MOF); Gwendolynne Young (ENE)
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, March 07, 2017 3:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.

CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
SEC UPDATE: March 07, 2017

STATIC TRACTF- & ASSET OPTIMIZATION INITIATED ISSUES

1. Trillium Trust
Ministry of Finance is requesting a regulation be made under the Trillium Trust Act 2004 to designate proceeds related to the Hydro One secondary offering in April 2015. The Trust currently only receives amounts in the regulation does not include the shares purchased by OPG.

- The gains related to the shares purchased by OPG are not received at this time, as the shares are held by OPG. Gains are only realized upon disposition of the shares.
- The Lieutenant is giving Royal Ass't. Tenaya Woods instituted on, 2017 and 2017, on March 07, 2017. The regulations is expected to be Signed on March 30, 2017, so that the Trust can receive the \$1.2 billion dividend declared by OPG.
- Work on regulations related to the PHASEOUT shares sale and the shares purchased by OPG is on-going.

2. Trillium Trust assistance
TBS staff have communicated their given the level of operating expected for the GCXWR Trillium Trust, there is no commonality between the former Infrastructure, Ipsum Income, GUSH, and Trillium Trust.

- Trillium Trust funding is the norm for school co, as crowfunding except just federal government funding for operating costs and GCXW, are legal commitments.
- GTB, staff will continue working with TBS as well as updating this presentation points as necessary.

3. Hyak school fire prices

- On February 28, 2017, the Province completed the sale of Hydro One B-campus to a consortium led by Hyak School Fire, a global infrastructure company, consisting of Canada's Pension Master, and Hyak Funds.

- GTB, staff is working with OPCO on finance transaction amounts to determine the final net revenue gains, generated from the transaction to be dedicated to the Trillium Trust.

4. Global A Apartment Lawsuit Follow ups

- There are named ALCo Am involved in the lawsuit who's have FOIs that contain similar terms and price protocols as these that are under consideration by the

results. TransAlta Gp entered into Eversdell-Ed preements with GETC (Eversdell WindCo).
- Jan GETC's application for leave to appeal was unsuccessful. GETC would have to pay termination fees to Eversdell WindCo if it exits.
- All of Eversdell WindCo fees will be required or have terminated early in connection with the transaction (approx. $[redacted] in total).

- GE-FC may negotiate retroactive payments to Eversdell WindCo for 2020 through the revised agreements and/or under the transaction.
- GE-FC will be responsible for all payments to Eversdell WindCo for the years prior to 2020.
- GE-FC will only be making retroactive payments to Eversdell WindCo for generation which occurred within the then-past forbearance period.

- Jan GETC recovers the full cost of contracts through the Global Adjustment, including negotiated, hourly or unique payments of the GETC-Eversdell. This increases by about [redacted] the hourly or unique payments of the GETC.

6. AmSP-Cwall-Aquila Conditional Offer Package

- Crest Foothill Power Corporation (CFPC), wholly owned by Tsplova Tsppnna Nodnn (TTN"), is seeking a loan guarantee under the LGP. The loan would allow CFP to refinance its existing debt and undertake certain capital improvements on the Mill Pope Cyclonics(PC). Completing Cadmi on a lower interest rate than the alternative (at least from its partner).
- Jan Cabinet approved the loan approval and an OIC was obtained at the December 13, 2020 EC meeting.
  - This application involves the interests of a Schedule 3 bank.

- Due diligence and negotiation of legal loan documents are ongoing. Key documents, including the loan guarantee agreement and the intercreditor agreement, are nearly finalized, although the exact date Jcan be determined. Staff request an [redacted] to enable the Minister to execute the final loan guarantee agreement. OIC are available for a meeting if requested.

[redacted]

[redacted]

[redacted]

ANNOTATED AGENDA
SEC UPDATE - March 07, 2017

U OVER ISSUES

Rick Sutton 20 Masterstream
- Masterstream has completed various developed options for modernizing a 2B of the Rick. Options may not require legislative amendments out Spring 2018.

College Council exemption
- Proposed regulation as well as terms and conditions for the draft Binding Policy Directive for C colleges has been drafted and is currently being reviewed by college Council.
- MoECC and OTA to meet next week to review the s.39 approval process including timing and information requirements with a view to further streamlining the process.

Short-drive Fuel Hedging
- Intention is to planning to hedge by fuel costs by entering into financial derivatives contracts with counters on hedged basis. In order to do so, Manitoba must obtain approval from the Minister of Finance to enter into such derivatives and borrowing by law as well as s. 39 approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

From: Ronald Kwan
To: Gavin He
Subject: RE: CEFD and MO | Bi-Weekly
Date: Tuesday, March 07, 2017 12:32:24 PM
Attachments: Annotated Agenda MO March 07 2017_CEFD_v2_EFB_Markup.docx

---

Hi,

Some edits, as attached.

Ron

From: Gavin He
Sent: March-07-17 11:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

EFB made some further edits to include OEFC lending to IESO update. Please find attached the updated agenda for your review.

Regards,
Gavin He

From: Ronald Kwan
Sent: Monday, March 06, 2017 12:27 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi,

I noticed that Mashoka is invited again.

I have edited the annotations.

Ron << File: Annotated Agenda MO March 07 2017_CEFD_Markup2.docx >>

From: Ronald Kwan
Sent: March-06-17 12:23
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Thanks Gavin.

Ron

From: Gavin He
Sent: March-06-17 11:21
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Scott won't be joining the meeting today, so I will print out the annotated agenda shortly, if you don't have any further changes.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Monday, March 06, 2017 10:48 AM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Gavin,

A few suggestions.

Ron << File: Annotated Agenda MO March 07 2017_CEFD_Markup.docx >>

From: Gavin He
Sent: March-02-17 19:50
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Please find attached the annotated agenda for your review. Please note that there are no updates from EFB for this bi-weekly meeting.

<< File: Annotated Agenda MO March 07 2017_CEFD.docx >>

Thanks,
Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Pearce, Christopher (MOF); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Maimona, Mashoka (MOF); Gwendolynne Young (ENE)
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, March 07, 2017 3:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.

CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
SEC LETTER TF: March 07, 2017

STATIC TRUSTS & ASSET OPTIMIZATION INITIATED ISSUES

1. Trillium Trust

Ministry of Finance is requesting a regulation be made under the Trillium Trust Act 2004 to designate proceeds related to the Hydro One secondary offering in April 2015. The Trillium Trust currently amends in the regulation does not include the shares purchased by OPG.

- The gains related to the shares purchased by OPG are not realized at this time, as OPG continues to hold the shares. The gains are unrealized capital gains.
- The Liability Act is using Hydro One as "Ontario Power Generation" in 2016, 2017 and 2018, as shown in C. 2017. The regulations is expected to be Gazetted March 31, 2017, so that the Trillium Trust can be designated as a beneficiary of the settlement.
- Work on regulations related to the PHASEOUT shares sale and the shares purchased by OPC is on-going.

2. Trillium Trust enrollment

TRU staff have communicated their given the level of operating expected for the GCSERP and the Trillium Trust, there is overlapping between the former child bearing, grant income, GURB, and Trillium Trust.

- Trillium Trust funding is the last to be called on, as nonfunding-overall per federal and provincial benefits and credits and GCSERP, are legal commitments.
- CRA, staff will continue working with TRU as well as updating the information portal as necessary.

3. Hydro One Brampton

- On February 28, 2017, the Province completed the sale of Hydro One Brampton to Canada Infrastructure Fund, a Canadian infrastructure investment company, consisting of Borealis Infrastructure, and Alberta Investment.
- CRA staff is working with OPCO on finalize transaction amounts to determine the final net revenue gains, generated from the transaction to be dedicated to the Trillium Trust.

4. Global A Apartment Lawsuit-Follow ups

- There are several HoCAs not involved in the lawsuit which haveCPAs that contain similar terms and price provisions as these that are under consideration by the

results. TransAlta Gp entered into Eversdell Ed powersets with GETC (Eversdell NuGrp).
- Jan GETC's application for leave to appeal was unsuccessful. GETC would have to pay termination fee to Eversdell NuGrp if it terminates.
- As all Eversdell NuGrp leas will be repaired or have terminated early no additional capital expenditures are required for the assets.

- GETC may make retroactive payments to Eversdell NuGs for 2020 through the end of 2024 to preserve access under the tax pools.
- Eversdell NuGrp will not make distributions for the years prior to 2025.
- GETC will only be making retroactive payments to Eversdell NuGs for generation which accrued within the last year forbearance period.

- As GETC recovers the full cost of contracts through the Global Agreement, remaining obligations, such as contract expenses and decommissioning, will be covered by the Province of Ontario in respect of the GETC.

6. AmGP-Crest/Fuquiis Conditional Offer Package

- Crest Foothill Power Corporation (CHPC), wholly owned by Tsplous Tsppmos Nodos ("TTN"), is seeking a loan guarantee under the LGP. The loan would allow CHP to refinance its existing debt and complete the construction of its Foothill Power Plant (the "Project"). Fuquiis Capital has an interest in less than 10% of CHPC.
- Fuquiis Capital has received the initial approval and an OIC was obtained at the December 13, 2020 EIC meeting.
  - This application involves the interests of a Schedule 1 bank.

- Due diligence and negotiation of legal loan documents are ongoing. Key documents, including the loan guarantee agreement and the project agreement, are expected shortly thereafter, although the exact date is to be determined. Staff request an update from the Minister's office on the progress of the final loan guarantee agreement. Draft are available for a briefing if requested.

1. GETC continues to thrive

2. GETC financials [illegible] [illegible] [illegible]

ANNOTATED AGENDA
SEC UPDATE - March 07, 2017

U OVER ISSUES

Rick Sutton 20 Masterstream
- Masterstream has completed various developed options for modernizing a 2B of the Rick. Options may not require legislative amendments out Spring 2018.

College Council exemption
- Proposed regulation as well as terms and conditions for the draft Binding Policy Directive for C colleges has been drafted and is currently being reviewed by college Council.
- MoECC and OTA to meet next week to review the s.39 approval process including timing and information requirements with a view to further streamlining the process.

Short-drive Fuel Hedging
- Intention is to planning to hedge by fuel costs by entering into financial derivatives contracts with counters on hedged basis. In order to do so, Manitoba must obtain approval from the Minister of Finance to enter into such derivatives and borrowing by law as well as s. 39 approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

From:	Gavin He
To:	Christopher Pearce (MOI); Ronald Kwan; Marianne Nguyen (MCYS); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Nancy Kennedy (MOHLTC)
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Tuesday, February 21, 2017 11:32:19 AM
Attachments:	Agenda MO Feb 21 2017.docx

Hi all,

Please find attached the agenda for today's meeting:

Regards,

Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Pearce, Christopher (MOF); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gavin He; Nancy Kennedy (MOHLTC)
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, February 21, 2017 4:00 PM-4:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.

CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
MO UPDATE: February 21, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Electricity Price Mitigation:**
2. **ONFA: Post-Reference Plan Approvals**
3. **Global Adjustment Lawsuit Follow-ups**
4. **Constance Lake First Nation**
5. **ALGP: Coral Rapids Conditional Offer Package**

OTHER ISSUES

6. **FAA Section 28**
7. **Highway 427 Expansion AFP Project – S. 28 approval**
8. **Metrolinx Fuel Hedging**

From:	Gavin He
To:	Christopher Pearce (MOI); Ronald Kwan; Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY)
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Tuesday, February 07, 2017 11:19:56 AM
Attachments:	Agenda MO Feb 07 2017.docx

Hi all,

Please find attached the agenda for the meeting today:

Thanks,

Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Pearce, Christopher (MOF); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); @FIN-R-TOR.7QueensParkCres.Minister.Boardroom (MOF)
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, February 07, 2017 3:30 PM-4:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.

CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
MO UPDATE: February 07, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Electricity Price Mitigation: Debt-Financing Global Adjustment and Delivery Charge**
2. **ONFA – 2017 Reference Plan Contribution Schedules**
3. **Global Adjustment Lawsuit Follow-ups**
4. **LTEP Consultations and the ALGP**
5. **Constance Lake First Nation**
6. **ALGP: Coral Rapids Conditional Offer Package**

OTHER ISSUES

7. **FAA Section 28**
8. **Highway 427 Expansion AFP Project – S. 28 approval**
9. **Metrolinx Fuel Hedging**
10. **Ontario Climate Change Solutions Deployment Corporation (OCCSDC)**

From:	Gavin He
To:	Christopher Pearce (MOI); Ronald Kwan; Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY)
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Monday, January 23, 2017 1:21:38 PM
Attachments:	Agenda MO Jan 23 2017.docx

Hi all,

Please find attached the agenda for today's meeting:

Regards,

Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Christopher Pearce (MOI); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY)
Subject: CEFD and MO | Bi-Weekly
When: Monday, January 23, 2017 3:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.
CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
MO UPDATE: January 23, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Electricity Price Mitigation: Debt-Financing Global Adjustment**
2. **Hydro One / Secondary Offering Update**
3. **Trillium Trust**
4. **Hydro One Brampton**
5. **Outlook Forecast/OPG Business Plan**
6. **LTEP Consultations and the ALGP**
7. **Constance Lake First Nation**
8. **Global Adjustment Lawsuit**

OTHER ISSUES

9. **FAA Section 28 Sharing Protocol**
10. **Ontario Climate Change Solutions Deployment Corporation (OCCSDC)**
11. **Highway 427 Expansion AFP Project – S. 28 approval**
12. **MAESD as Guarantor for UOIT's $220M Debenture**
13. **OCWA**

From:	Gavin He
To:	Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); Ronald Kwan; Jonathan Tekle (CAB); "Hsu, Priscilla (MOF)"; Matthew Sylvain (MOF)
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Monday, May 29, 2017 12:50:59 PM
Attachments:	Agenda MO May 29 2017_CEFD.docx

Hi all,

Please find attached the agenda for today's meeting:

Regards,

Gavin He

-----Original Appointment-----
From: Gavin He
Sent: Tuesday, April 25, 2017 9:48 AM
To: Gavin He; Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); Ronald Kwan; Jonathan Tekle (CAB); 'Hsu, Priscilla (MOF)'
Cc: Sylvain, Matthew (MOF)
Subject: CEFD and MO | Bi-Weekly
When: Monday, May 29, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Thanks,

Gavin He

AGENDA
MO UPDATE: May 29, 2017

1. **Benefit to OEFC under s. 50.3 of the *Electricity Act, 1998***

2. **IESO Credit Facility – FHP Requirements**

3. **MNO Solar Inc. ALGP Application**

4. **Cochrane Solar Project Update**

5. **Other Applicants to the ALGP**

6. **NUG Curtailment**

7. **Recovery of Standstill NUG payments**

OTHER ISSUES

8. **OLG seeks approval to obtain a $91.8M loan for Lottery Terminals and Network Expansion (LT&N) Program**

9. **College Class Exemption Regulation**

10. **Immigrant Investor Program – Notice of Termination**

11. **Metrolinx Fuel Hedging**

From: Ronald Kwan
To: Gavin He
Subject: RE: CEFD and MO | Bi-Weekly
Date: Monday, January 23, 2017 1:19:08 PM
Attachments: Agenda MO Jan 23 2017_v2.docx

Hi,

A suggested re-ordering.

Ron

From: Gavin He
Sent: January-23-17 13:15
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Are you good with the attached agenda going out?

<< File: Agenda MO Jan 23 2017.docx >>

Thanks,

Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Christopher Pearce (MOI); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY)
Subject: CEFD and MO | Bi-Weekly
When: Monday, January 23, 2017 3:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.
CEFD to set agenda and circulate in advance.

ANNOTATED AGENDA
MO UPDATE: January 23, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Electricity Price Mitigation: Debt-Financing Global Adjustment**
2. **Hydro One / Secondary Offering Update**
3. **Trillium Trust**
4. **Hydro One Brampton**
5. **Outlook Forecast/OPG Business Plan**
6. **LTEP Consultations and the ALGP**
7. **Constance Lake First Nation**
8. **Global Adjustment Lawsuit**

OTHER ISSUES

9. **FAA Section 28 Sharing Protocol**
10. **Ontario Climate Change Solutions Deployment Corporation (OCCSDC)**
11. **Highway 427 Expansion AFP Project – S. 28 approval**
12. **MAESD as Guarantor for UOIT's $220M Debenture**
13. **OCWA**

From:	Gavin He
To:	Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Ronald Kwan; Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); "Maimona, Mashoka (MOF)"
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Monday, May 15, 2017 12:29:27 PM
Attachments:	Agenda MO May 15 2017.docx

Hi all,

Please find attached the agenda for today's meeting:

Regards,

Gavin He

-----Original Appointment-----
From: Gavin He
Sent: Tuesday, April 25, 2017 9:48 AM
To: Gavin He; Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); Ronald Kwan; Lesau, Victoria (MOF); 'Maimona, Mashoka (MOF)'
Subject: CEFD and MO | Bi-Weekly
When: Monday, May 15, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Thanks,

Gavin He

AGENDA
MO UPDATE: May 15, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Ontario Fair Hydro Plan – Equity Injection**
2. **IESO Credit Facility – FHP Requirements**
3. **Cochrane Solar Project Update**
4. **NUG Curtailment**
5. **Recovery of Standstill NUG payments**

OTHER ISSUES

6. **College Class Exemption Regulation**
7. **Ottawa Convention Centre (OCC) Loan**
8. **Immigrant Investor Program – Notice of Termination**
9. **MNO Solar Inc. ALGP Application**

From:	Deena Padamadan on behalf of Gavin He
To:	Gavin He; Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); Ronald Kwan; Lesau, Victoria (MOF); "Maimona, Mashoka (MOF)"
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Tuesday, May 02, 2017 12:44:31 PM
Attachments:	Agenda MO May 2 2017_CEFD.docx

Hello All,

Please find attached the agenda for today's meeting.

Best,
Deena

-----Original Appointment-----
From: Gavin He
Sent: Tuesday, April 25, 2017 9:48 AM
To: Gavin He; Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); Ronald Kwan; Lesau, Victoria (MOF); 'Maimona, Mashoka (MOF)'
Cc: Deena Padamadan
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, May 02, 2017 2:00 PM-2:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Rescheduling to 2pm due to a conflict.

Thanks,

Deena

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Thanks,

Gavin He

AGENDA
MO UPDATE: May 2, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **Ontario Fair Hydro Plan – Equity Injection**
2. **IESO Credit Facility – $975M for Market**
3. **Cochrane Solar Project Issue**
4. **Recovery of Standstill NUG payments**
5. **OPG 2017-19 Business Plan**

From: Ronald Kwan
To: Gavin He
Subject: RE: CEFD and MO | Bi-Weekly
Date: Tuesday, April 18, 2017 7:47:42 PM
Attachments: Annotated Agenda MO April 18 2017_CEFD_v2_Markup.docx

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Hi Gavin,

A few suggested edits. And could you ask SPFB to add a very short, early heads up on the ALGP proposal for the NW transmission project to connect remotes.

Thanks,
Ron

From: Gavin He
Sent: April-18-17 6:40 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Please find attached the updated agenda for your review. I have accepted all your previous edits.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Tuesday, April 18, 2017 4:50 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Gavin,

See attached.

Ron

From: Gavin He
Sent: April-17-17 20:24
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Please find attached the draft agenda for your review.

Please let me know if you have any questions.

Regards,
Gavin He

-----Original Appointment-----
From: Gavin He
Sent: Saturday, April 15, 2017 11:27 AM
To: Gavin He; Ronald Kwan; Marianne Nguyen (MCYS); Lesau, Victoria (MOF); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); 'Maimona, Mashoka (MOF)'
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, April 18, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Regards,
Gavin He

ANNOTATED AGENDA
RFO APRIL 20 - 21 of 3-29, 2017

Public Meeting To assist CAP Team in Note Taking and Debate

A. Orders to Take Myrtle off Fuse - (Legality Objection)

- Motion to Dismiss Petition for Writ of Mandate, Prohibition, and Equitable Relief filed by the Public Utilities Commission, Public Advocate's Office of California and CPL to support the Orders Fail myrtle Fuse.
- Petition for Writ of Mandate according to establish clarity amid relapse reopened on the Provincial approvals for the equity objection.

B. IESO Credit Facility – BETM for Market

- IESO revised the potential requirements for financing the Pyh Hydro forecast as follows:
  - Susceptibility seek, valued of the IESO relying on the existing BETM credit facility (modified by the OEB to provide interim-term financing until the OPA CRV purchase the IESO regulatory asset).
  - Secondly, the IESO would utilize the credit facility to provide liquidity into the electricity market to support various initiatives including the Progressed Proof has Demand Response Auction (DRA) and the Capacity Auction (CA) and Capacity Equipped Program (CAP-DT) Two services connected when programs and auctions are ready.
  - The BETM facility was not intended to provide long-term financing.
- IESO required longer-term financing, additional due diligence and considerations around the process, accounting treatments, and appropriate paperwork would be required.
  - OE IC, or OPA, could provide [illegible] managing the Province's [illegible] outstanding stock of long-term debt, which would be [illegible] outstanding long or long-term, financing would potentially require government policy approval [illegible] Ontario Regulation.
- Hydro One Networks Inc. (Hydro One) on June 23, 2016, challenges the ruling approved because the OEB and IESO had the ruling of 2000 that they had the authorities of 30 to 45 days, to eventually providing short-term liquidity for the IESO.

D. Arden-Gile Insurance Claim

- Arden-Gile Community Development Corporation (Ardenville), at holder of a guarantee under the Designs of Hard Guarantee (Triggers), has settled on the arbitration claim against the Province of Ontario (Province) for $ 1.2 billion in damages.
- The Project experienced a prolonged equipment failure from July 23, 2005 to December 5, 2005, with no electricity generation during this time (138 days).

- Arbitrator accepted a settlement of $557,039.74 into a $250K deductible or a net amount of $307,039.74, without seeking the consent of Gulf Pacific.
- Interest payments received from investments in the business interruption to be shared 50/50 with Gulf Pacific, while its non-reimbursement in the amount more than the threshold settled the claim.
- Gulf: on learning of the settlement, responding via email providing a gentle warning about the missed obligation under the guarantee.

A. AUDIT: Cranfirmpala

- Coast Pacific Power Corporation ("CPP"), wholly owned by Clarissa Tangerina Scalice ("CTS"), had been provided a fourth guarantee under the AUDIT limit per SE, as mentioned in paragraph 3 above.
  - The guaranteed loan allows CPP to finance its investment in a partnership, which is developing a hydroelectric power station on the Cranfirmpala River in Cranfirmpala Station, at a less interest rate than the alternative (a loan from its parties).
  - The starting construction work at the end of March and sign-off for execution of the guarantee by CTS on behalf of CPP.
  - MoF, Legal Intel Minister Tuesday, signatures, in escrow, until the conditions precedent are satisfied.
  - Expected completion date for April. All we think the borrower would meet its equity contributions deadline.

B. 2016-ESI Request

- The Independent Electricity System Operator (IESO) is processing a Freedom of Information request which includes requests for:
  - A breakdown of generation in cents by energy source for the years 2007 to 2015, inclusive; and
  - A breakdown of specific generation costs for the years 2007-2015 between costs for energy, purchased and cost of capacity.
- Gulf has previously provided the following GEYC information to IESO which is used in the draft response to the request:
  - Energy sold between Gulf and Coal type and broken down into amounts harnessed through the market and Zolecki dispersions.
  - Amounts paid under a Contingency Support Agreement between GEYC and Gulf.
- None of the GEYC information there would be used in the response to the FOI request is commercially sensitive.

- The NUG generation costs are aggregated by fuel type and combined with costs for other generators.
- The Contingency Support Agreement payments are aggregated in an "other" category. These costs were also published in OPG's financial statements.

3. 2017 Ask / Bill Enablement Plan

- [redacted] amendments (Act and Regulation) that may be required to implement the Fair Hydro Plan
- [redacted] timelines
- [redacted] amendments are likely the earliest date for OPG's rates under Fair Hydro Plan
- [redacted] amendments could be made, for administrative convenience and without cost, when the next regulated rate filing

4 Debt reliefs

[redacted] Section 26 Modernization

- Ivey/OEB/OPG working group has developed options for modernizing s.26 of the Act
- Proposed amendments to the s.26 have been drafted to:
  - (i) give the Minister of Finance or the Province of Ontario Financial Authority full protection of corporate credit entities, or vehicles of public ownership, established under s.26; and
  - (ii) give the LDC the authority to make regulations to define terms used in the amendments not already defined in the Act.

[redacted] Debt-drive Fuel Hedging

- Intention is planning to hedge its fuel costs by entering into financial derivatives or commodity contracts to mitigate the risk of rising fuel costs. This would require the Minister of Finance approval of its associated investments by law and a new regulation under the Financial Administration Act.
- A formal request from the Minister of Transportation to the Minister of Finance has been made.

[redacted] PLUS – Enbrel Pension Asset

- As part of a transaction that will allow Toshiba to come out of bankruptcy, the parent of Enbrel Canada, Enbrel Corporation of Kaduna Indonesia. This said Enbrel Kaduna's exposure to the pension plan liabilities.

- The Superintendent of PCSD will temporarily be the nominal administrator of Oakville Academy and will be responsible for the overall administrative contracts. As the Superintendent is also the regulator, he will subcontract the administrative duties to Oakville Academy's CEO.
- The assumption of these contracts by PCSD will require Treasury Board and Minister of Finance's (if) approval.

From: Gavin He
To: Ronald Kwan
Subject: RE: CEFD and MO | Bi-Weekly
Date: Tuesday, April 18, 2017 6:39:39 PM
Attachments: Annotated Agenda MO April 18 2017_CEFD_v2.docx

Hi Ron,

Please find attached the updated agenda for your review. I have accepted all your previous edits.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Tuesday, April 18, 2017 4:50 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Gavin,

See attached.

Ron

From: Gavin He
Sent: April-17-17 20:24
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Please find attached the draft agenda for your review.

Please let me know if you have any questions.

Regards,
Gavin He

-----Original Appointment-----
From: Gavin He
Sent: Saturday, April 15, 2017 11:27 AM
To: Gavin He; Ronald Kwan; Marianne Nguyen (MCYS); Lesau, Victoria (MOF); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); 'Maimona, Mashoka (MOF)'

Subject: CEFD and MO | Bi-Weekly
When: Tuesday, April 18, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Regards,
Gavin He

ANNOTATED AGENDA
RFC UPDATE – 6 pm 7.26. 2017

[Public Session] To assist CAP Team in Note Taking/Edits, Actions

1. Order to Rain Hyatt et Fam – If apply Objection

- Staff to update on the Order to Rain Hyatt et Fam Finance, and DFG-I-entity(s), before the Public Session on today, Tuesday 7.26.2017 at 6 pm, and if notice and DFG, to support the Orders Fail Hyatt et Fam.
- Staff to update on the Order according to establish-clarity-and-relays-required-on-the-Provincial-approvals-for-the-equity-injection.

2. IESO Credit Facility – BSTM for Market

- IESO-should-the-potential-requirements-for-financing-the-Pan-Hydro-forward-contracts:
  - The-liquidity-was, valued-of-the-IESO-relying-on-the-existing-BSTM-credit-facility-(modified-by-the-OEB-to-provide-interim-term-financing-until-the-DFG-CPV-purchase-the-IESO-regulatory-asset.
  - The-BSTM-credit-facility-was-a-credit-facility-to-to-provide-liquidity-into-the-electricity-market-to-support-various-initiatives-including-the-Progressive-Proof-has-Hydro-Contracts-Support-Program-(PHCSP)-and-the-Provincial-Hydro-Contracts-Liquidity-Support-Program-(LSP-DP).-Two-various-consultation-programs-and-stakeholder-meetings-
  - The-BSTM-facility-was-not-intended-to-provide-long-term-financing.
- If-IESO-required-long-term-financing,-additional-due-diligence-and-considerations-would-be-required,-accounting-treatments,-and-appropriate-approvals-would-be-required.
  - OE-IC-or-OFA-involvement-other-than-managing-the-Provincial-borrowing-plan-would-be-required-if-IESO-required-long-term-financing-and-if-the-long-term-financing-would-potentially-require-government-guarantee.
- Hydro-One-Networks-Inc.-(HONI)-on-September-22,-2016,-instituted-the-trading-suspension-between-the-HOR-and-IESO-real-time-interconnection-for-a-duration-of-three-(3)-days,-inevitably-providing-cross-border-liquidity-for-the-IESO-

3. Action-Ids- Issues-Log-Table

- Ontario-Community-Development-Corporation-[[Cdc]]-Identity),-a-holder-of-a-guarantee-under-the-Designated-Fixed-Premium-T-Tariff,-has-settled-on-the-price-claim-with-the-Independent-Electricity-System-Operator-(IESO)-and-Hydro-One-Networks-Inc.
- The-Project-experienced-a-prolonged-equipment-failure-from-July-23,-2016-to-December-5,-2020,-with-no-electricity-generation-during-this-time-(136-days).

- Arbitrator accepted a settlement of €827,439.74 into a €250K deductible or a net amount of €577,439.74, without seeking the consent of Gulf Fabrics.
- Interest payments ceased (no revenues from the business interruption to be drawn down by Gulf), while its non-reimbursable fix-the-network cost kept the Scheduled settled the claim.
- Gulf, on learning of the settlement, responding via email providing a gentle warning about the missed obligation under the guarantee.

A. AUDT-C and Expats

- Coral Peninsula Power Corporation ("CSPC"), wholly-owned by Clarissa Tangerina Scalice ("CTS"), had been provided a fourth guarantee under the AUDT limit (per SE, as amended and restated on 2 May 2022).
  - The guaranteed loan allows CSPC to finance its investment in a partnership, which is developing a new power station in the Port of Saint Isabella, Coral Peninsula (the Station, at a lower interest rate than the alternative (a loan from its parent).
  - The starting date/outcome was at the end of March and sign-off for execution of the guarantee was on 2 May 2022.
  - MoF / Legal Intel Minister Fuentalb 'signatures in stocher until the conditions precedent are satisfied.
  - Expected completion date for April. All we think the borrower could meet its equity contribution deadline.

B. ADJU-EU Request

- The Independent Electricity System Operator (IE-SO) is processing a Freedom of Information request which includes requests for:
  - A breakdown of generation costs by energy sources for the years 2007 to 2010, 2011 to 2015, and 2016 to 2020.
  - A breakdown of specific generation costs for the years 2007-2010 between costs for energy purchased and cost of capacity.
- Gulf has previously provided the following GEYC information to IE-SO which is used in the draft response to the request:
  - Gulf's generation portfolio by fuel type and broken down into amounts recovered through the market and Global Adjustment.
  - Amounts paid under a Contingency Support Agreement between GEYC and IE-SO.
- None of the GEYC information that could be used in the response to the FOI request is commercially sensitive.

- The NUG generation costs are aggregated by fuel type and combined with costs for other generators.
- The Contingency Support Agreement payments are aggregated in an "other" category. These costs were also published in OPG's financial statements.

Pg. 198 of 1042 AIR Breakout Chart

- AIR of Ontario Power Generation Inc. 2017 and 2018 Payments under the Fixed Hydroelectric and Bruce Nuclear Generation Stations Agreements and the Fixed Hydroelectric Surplus Baseload Generation Stations Agreement
- Ontario Regulation 53/05 Payments under the Electricity Act, 1998

2.0 Bullet Analysis

Bullet 1 – Pickering Nuclear Generation

- Pickering Nuclear Generation Station is scheduled to be refurbished and operate for an additional 30 years.
- The Pickering Refurbishment Project is a complex undertaking that requires significant investment and coordination with the IESO, Ontario Power Generation Inc. (OPG), and the Province of Ontario.
- The Province has established a Pickering Refurbishment Project Steering Committee to provide advice to the Minister of Energy, Northern Development and Mines and the Minister of Finance on the Pickering Refurbishment Project.
- The Steering Committee is made up of representatives from the Ministry of Energy, Northern Development and Mines, the Ministry of Finance, the IESO, and OPG.

Bullet 2 – Bruce Nuclear Generation

- As part of a comprehensive review of the province's electricity system, the Province has been working with Bruce Power to explore opportunities to extend the life of the Bruce Nuclear Generating Station.
- Bruce Power has been investing in the refurbishment of its Bruce Nuclear Generating Station since 2001.
- The Province has been working with Bruce Power to explore opportunities to extend the life of the Bruce Nuclear Generating Station.
- Bruce Power has been investing in the refurbishment of its Bruce Nuclear Generating Station since 2001.

Bullet 3 – Hydroelectric Generation

- The Province has been working with Ontario Power Generation Inc. (OPG) to explore opportunities to extend the life of the province's hydroelectric generating stations.
- OPG has been investing in the refurbishment of its hydroelectric generating stations since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's hydroelectric generating stations.
- OPG has been investing in the refurbishment of its hydroelectric generating stations since 2001.

Bullet 4 – Gas-Fired Generation

- The Province has been working with OPG to explore opportunities to extend the life of the province's gas-fired generating stations.
- OPG has been investing in the refurbishment of its gas-fired generating stations since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's gas-fired generating stations.
- OPG has been investing in the refurbishment of its gas-fired generating stations since 2001.

Bullet 5 – Renewable Generation

- The Province has been working with OPG to explore opportunities to extend the life of the province's renewable generating stations.
- OPG has been investing in the refurbishment of its renewable generating stations since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's renewable generating stations.
- OPG has been investing in the refurbishment of its renewable generating stations since 2001.

Bullet 6 – Conservation and Demand Management

- The Province has been working with OPG to explore opportunities to extend the life of the province's conservation and demand management programs.
- OPG has been investing in the refurbishment of its conservation and demand management programs since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's conservation and demand management programs.
- OPG has been investing in the refurbishment of its conservation and demand management programs since 2001.

Bullet 7 – Transmission and Distribution

- The Province has been working with OPG to explore opportunities to extend the life of the province's transmission and distribution assets.
- OPG has been investing in the refurbishment of its transmission and distribution assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's transmission and distribution assets.
- OPG has been investing in the refurbishment of its transmission and distribution assets since 2001.

Bullet 8 – Corporate and Other

- The Province has been working with OPG to explore opportunities to extend the life of the province's corporate and other assets.
- OPG has been investing in the refurbishment of its corporate and other assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's corporate and other assets.
- OPG has been investing in the refurbishment of its corporate and other assets since 2001.

Bullet 9 – Regulatory Assets and Liabilities

- The Province has been working with OPG to explore opportunities to extend the life of the province's regulatory assets and liabilities.
- OPG has been investing in the refurbishment of its regulatory assets and liabilities since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's regulatory assets and liabilities.
- OPG has been investing in the refurbishment of its regulatory assets and liabilities since 2001.

Bullet 10 – Other

- The Province has been working with OPG to explore opportunities to extend the life of the province's other assets.
- OPG has been investing in the refurbishment of its other assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's other assets.
- OPG has been investing in the refurbishment of its other assets since 2001.

Bullet 11 – Summary

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.

Bullet 12 – Conclusion

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.

Bullet 13 – Appendix

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.

Bullet 14 – Bibliography

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
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Bullet 15 – Glossary

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.
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Bullet 16 – Index

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
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Bullet 17 – Table of Contents

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.

Bullet 18 – Table of Figures

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.
- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.

Bullet 19 – Table of Tables

- The Province has been working with OPG to explore opportunities to extend the life of the province's assets.
- OPG has been investing in the refurbishment of its assets since 2001.
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Bullet 20 – List of Abbreviations

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Bullet 105 – List of Abbreviations

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Bullet 106 – List of Appendices

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Bullet 107 – List of Contributors

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Bullet 108 – List of Reviewers

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Bullet 109 – List of Acknowledgements

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Bullet 111 – List of Appendices

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Bullet 112 – List of Contributors

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Bullet 113 – List of Reviewers

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Bullet 116 – List of Appendices

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Bullet 117 – List of Contributors

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Bullet 118 – List of Reviewers

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contracts. As the E-payment element is also the regulator, he will underwrite this responsibility if no cash scams or broken E-pay add information.
4 That assumption of these contracts by HLCUS and regions Treasury Board and Minister of Finance OK approval.

From: Ronald Kwan
To: Gavin He
Subject: RE: CEFD and MO | Bi-Weekly
Date: Tuesday, April 18, 2017 4:49:57 PM
Attachments: Annotated Agenda MO April 18 2017_CEFD_Markup.docx

---

Hi Gavin,

See attached.

Ron

From: Gavin He
Sent: April-17-17 20:24
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: CEFD and MO | Bi-Weekly

Hi Ron,

Please find attached the draft agenda for your review.

Please let me know if you have any questions.

Regards,
Gavin He

-----Original Appointment-----
From: Gavin He
Sent: Saturday, April 15, 2017 11:27 AM
To: Gavin He; Ronald Kwan; Marianne Nguyen (MCYS); Lesau, Victoria (MOF); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); 'Maimona, Mashoka (MOF)'
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, April 18, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Regards,
Gavin He

[redacted] BANK OF [redacted] TEN MEC 05 2017

1. Green to Get Hyde of Fee – Equity Injection

Staff from ECTE, CFA, capital markets, Ministry of Finance, and OPC-3 continue to discuss the mechanics behind an equity injection between the Province and OPC-3 in order to finalize the Term Sheet.

- The ECTE, and ECA, staff are working to establish clarity and make progress on the Provincial approvals for the equity injection.

2. IESO Credit Facility – SSTM for Market

- IESO is proposing the [redacted] to the Ron Hyde regarding the [redacted]
- The [redacted] will [redacted] of the [redacted] to provide liquidity to the [redacted] during the [redacted] period.

One of the main uses of the SSTM credit facility is to provide liquidity into the market during the settlement period. Currently, the Independent Electricity System Operator (IESO) is the owner or holder of all Ontario Power Generation (OPG) and new Ontario Power Generation (OPG) contracts. The IESO is responsible for the payment of the overall market liquidity.

- The Ministry has asked for a [redacted] to [redacted]

[redacted] [redacted] [redacted] [

- In the Minister's Practice signed 8 November 29, 2022, facilitates the trading arrangements for the Project, including the Project's right to receive the Project's retention of 20 to 40 days, essentially providing interim liquidity for the EPCC.

5. Alderville Insurance Claim

- Alderville Community Development Corporation on standby, at bottom of a guarantee of the Project's obligations under the Project Agreement, the Project's failure to pay without the consent of the Project, [illegible] is signed under the Project Agreement.
- The Project experienced a prolonged equipment failure from July 22, 2022 to December 5, 2022, with no electricity generation during this time (118 days). Alderville Community Development Corporation submitted a claim for a net amount of $367,098.72 without leading the consent of the Province.
- Interest estimates valued loss revenues from the business interruption to be a fixed percentage of the Project's projected annual revenue, with no reference to actual data.
- Alderville Community Development Corporation responded on 14 January 2023 that the claim was [illegible] under the guarantee.

6. AUCP-Q and Equity

- 2100772 and Tulpar Corporation ("TCP"), wholly owned by Tagbow Tagbow to enter into a [illegible] Agreement (the "Investment Agreement") with the Corporation.
- The Investment Agreement provided for TCP to finance its investment in a [illegible] (the "Investment") in the Corporation (the "Equity Ownership Interest"), at a lower interest rate than the alternative (a loan from its parties).
- The funding package was [illegible] to the end of March and sign off for execution of the Investment Agreement by the end of April.
- TCP could not [illegible] Investment Investor's signatures in exercise until the completion pursuant the condition.
- The Investment Agreement provided for it [illegible] that the borrowers [illegible] issue its equity in addition [illegible].

7. [illegible] Summary

[illegible] [illegible] [illegible] [

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

d) Bold recitals

CLA Section 28 Modernization

- Key ESL&MOTREX working group has developed options for modernizing s.28 of the CLA.
- Proposed amendments to CLA, s.28 have been drafted to:
  (i) give the Minister of Finance or the President of Treasury Board the authority to approve the payment of claims under s.28 of the CLA that are enabled but not budgeted for in s. 28; and
  (ii) allow the Minister of Finance to enter into multi-year claims, even if claim s.28 that are not already defined in the Act.

Rail-wire Fuel Hedging

- Waterline is planning to hedge its fuel cost by entering into financial derivatives. Waterline has requested that the Minister of Transport seek the approval of the Minister of Finance approval of its planned instruments by late-well in mar.
- Waterline is a Crown Corporation.
- A formal request from the Minister of Transportation to the Minister of Finance has been made.

PSAS – Claims Provision Issue

CONFIDENCE/CONFIDENCE/CONFIDENCE/

- As part of a transaction that will allow Endco to come out of bankruptcy, the parent of Endco, LDI Road, has proposed a sale to Evatlock Industries. This sale hires Evatlock's employees to the pension plan liabilities.
- Endco's pension plan is currently underfunded by the nominal administrator of Endco's 10 pension plans and will be responsible for the interim administration, responsibility it is said Endco's connection to our administrator.
- The transaction is expected to close by 31/12/23 with regular Treasury Board and Minister of Finance s.20 approval.

From: Gavin He
To: Ronald Kwan
Subject: RE: CEFD and MO | Bi-Weekly
Date: Monday, April 17, 2017 8:23:38 PM
Attachments: Annotated Agenda MO April 18 2017_CEFD.docx

Hi Ron,

Please find attached the draft agenda for your review.

Please let me know if you have any questions.

Regards,
Gavin He

-----Original Appointment-----
From: Gavin He
Sent: Saturday, April 15, 2017 11:27 AM
To: Gavin He; Ronald Kwan; Marianne Nguyen (MCYS); Lesau, Victoria (MOF); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Gwendolynne Young (ENE); 'Maimona, Mashoka (MOF)'
Subject: CEFD and MO | Bi-Weekly
When: Tuesday, April 18, 2017 1:30 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Regards,
Gavin He

ANNOTATED AGENDA
MO UPDATE: April 18, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection; however, additional questions were raised during the discussion.
- Currently, parties are all hands on deck on the legislation drafting and the equity injection is expected to pick up soon after.

2. IESO Credit Facility – $975M for Market

At a senior level implementation working group looking at various aspects of the Global Adjustment deferral, the possibility of IESO relying on the $975M credit facility provided by the OFA to fund the short and the longer term financing until third party financing is obtained.

- IESO raised the potential for a) funding the Fair Hydro forecast variances (short term), and b) funding the Fair Hydro amounts not purchased by the OPG SPV (long term).
    - One of the main uses of the $975M credit facility is to provide liquidity into the electricity market to support various initiatives including the Regulated Price Plan (RPP), the Rural or Remote Electricity Rate Protection (RRRP), the new Ontario Electricity Support Program (OESP), the various conservation programs and overall market liquidity.
- If this would become an on-going, and potentially not just short-term, CEFD would be inclined to engage in additional due diligence on certainty of recovery and accounting treatment (given the conditions required by OPG's audit firm), and OFA's involvement (other than the equity injection) would potentially require a revised Minister's Directive, as this would potentially for a purpose not discussed at the time the facility was provided (even if the facility does not explicitly restrict its use).
- In the Minister's Directive signed November 28, 2016, facilitates the lending agreement between the OFA and IESO until the end of 2019 and has the term restriction of 28 to 95 days, essentially providing short-term liquidity for the IESO.

3. IESO FOI Request

- The Independent Electricity System Operator (IESO) is processing a Freedom of Information request which includes requests for

- A breakdown of generation costs by energy sources for the years 2007 to 2013, inclusively and 2015.
- A breakdown of gas/oil generation costs for the years 2007-2015 between costs for energy purchased and cost of capacity.

- Staff have previously provided the following OEFC information to IESO which is used in the draft response to this request.
  - NUG cost information organized by fuel type and broken down into amounts recovered through the market and Global Adjustment.
  - Amounts paid under a Contingency Support Agreement between OEFC and OPG.

- None of the OEFC information that would be used in the response to the FOI request is commercially sensitive.
  - The NUG generation costs are aggregated by fuel type and combined with costs for other generators.
  - The Contingency Support Agreement payments are aggregated in an "other" category. These costs were also published in OPG's financial statements.

4. ALGP: Coral Rapids

- Coral Rapids Power Corporation ("CRP"), wholly-owned by Taykwa Tagamou Nation ("TTN"), is seeking a loan guarantee under the ALGP. This loan would allow CRP to finance its investment in a partnership which was formed to own and operate the 28 MW Peter Sutherland Sr. Generating Station at a lower interest rate than the alternative (a loan from its partner).
- The briefing package was sent at the end of March and sign off for execution of the loan guarantee was received April 4th.
- MoF Legal is holding Minister Sandals' signatures in escrow until the conditions precedent are satisfied. Financial close is planned for April 18 so that the borrower can meet its equity contribution deadline.

5. Alderville Insurance Claim

- Alderville Community Development Corporation (Alderville), a holder of a guarantee under the Aboriginal Loan Guarantee Program, has settled an insurance claim without the consent of the Province, which is required under the guarantee.
- The Project experienced a prolonged equipment failure from July 22, 2015 to December 5, 2015, with no electricity generation during this time (136 days).
- Alderville accepted a settlement of $597,099.74 less a $250K deductible or a net amount of $347,099.74 without seeking the consent of the Province.

- Internal estimates valued loss revenues from the business interruption to be closer to $400,000, which is not inconsistent with the amount on which the Borrower settled the claim.
- Staff plan on responding via email providing a gentle warning about the missed obligation under the guarantee.

OTHER ISSUES

6. FAA Section 28 Modernization

- An OFA/MOF/TBS working group has developed options for modernizing s.28 of the FAA.
- Proposed amendments to FAA s.28 have been drafted to:
    (i) give the Minister of Finance or the President of Treasury Board the authority to prescribe in regulation public entities or classes of public entities that would be subject to s. 28; and
    (ii) give the LGIC the authority to make regulations to define terms used in section 28 that are not already defined in the Act.

7. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance has been made.

8. FSCO – Stelco Pension Issue

- As part of a transaction that will allow Stelco to come out of bankruptcy, the parent of Stelco, US Steel, has proposed a sale to Bedrock Industries. This sale limits Bedrock's exposure to the pension plan liabilities.
- The Superintendent of FSCO will temporarily be the nominal administrator of Stelco's 5 pension plans and will be responsible for the related administrative contracts. As the Superintendent is also the regulator, he will subcontract this responsibility in a sole source contract to an administrator.
- The assumption of these contracts by FSCO will require Treasury Board and Minister of Finance s.28 approval.

From:	Gavin He
To:	Christopher Pearce (MOI); Ronald Kwan; Marianne Nguyen (MCYS); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Maimona, Mashoka (MOF); Gwendolynne Young (ENE)
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Monday, April 03, 2017 11:49:42 AM
Attachments:	Agenda MO April 3 2017.docx

Hi all,

Please find attached the agenda for today's meeting:

Regards,

Gavin He

-----Original Appointment-----
From: Christopher Pearce (MOI)
Sent: Monday, November 28, 2016 12:36 PM
To: Pearce, Christopher (MOF); Ronald Kwan; @FIN-R-TOR.7QueensParkCres.Deputy.Boardroom (MOF); Marianne Nguyen (MCYS); Gavin He; Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Colleen Waddell (ENERGY); Maimona, Mashoka (MOF); Gwendolynne Young (ENE)
Subject: CEFD and MO | Bi-Weekly
When: Monday, April 03, 2017 1:00 PM-1:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Bi-weekly meetings of CEFD/DMO/MO.

CEFD to set agenda and circulate in advance.

AGENDA
MO UPDATE: April 3, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. **OPG Head Office building sale**
2. **Hydro One – Financial Benefit to OEFC (s. 50.3 of the *Electricity Act, 1998*)**
3. **Hydro One – Financial Benefit to OEFC (s. 91.2 of the *Electricity Act, 1998*)**
4. **Hydro One – Paydown of Debt**
5. **Ontario Fair Hydro Plan – Equity Injection**
6. **Ontario Northland Transportation Commission – Request for Line of Credit**
7. **ALGP: Coral Rapids Conditional Offer Package**
8. **Global Adjustment Lawsuit Follow-ups**

OTHER ISSUES

9. **FAA Section 28 Modernization**
10. **Metrolinx Fuel Hedging**
11. **FSCO – Stelco Pension Issue**

From:	Deena Padamadan
To:	Ronald Kwan; Hsu, Priscilla (MOF); Marianne Nguyen (MCYS); Jonathan Tekle (CAB); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Scott Nelms (ENERGY); Keley Katona (ENERGY); Gwendolynne Young (ENE)
Subject:	RE: CEFD and MO | Bi-Weekly
Date:	Tuesday, August 15, 2017 1:27:49 PM
Attachments:	Agenda MO Aug 15 2017_CEFD_placeholder.docx

Hello All,

Apologies for the late arrival - please find attached the agenda for today's meeting.

Best,

Deena

ANNOTATED AGENDA
MO UPDATE: August 15, 2017

1. **Trillium Trust Communication for Public Accounts**

2. **Ontario Fair Hydro Plan Implementation Status**

3. **Constance Lake First Nation (CLFN) Meeting Request**

4. **Aboriginal Loan Guarantee Program**

OTHER ISSUES

5. **ONTC Line of Credit**

6. **Loan Program for Energy Retrofit Projects at Colleges and Universities**

From: Ronald Kwan
To: Gadi Mayman; Ken Kandeepan
Cc: Christina Zhang; John Kim; John Psinas
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation
Date: Sunday, February 26, 2017 2:46:13 PM

Hi Gadi, Ken,

Ken, was there a discussion on the role of the OEB in the discussion streams that you were a part of?

I understand that the OEB was approached and the response was that they should either have a full role or a minimal one. In the former case, that might imply less control on the profile of deferral and recovery that is currently the government's objective. On the latter, that seems to leave the IESO being challenged to recognise a regulatory asset that it could sell to OPG. And if it were not an OEB-approved regulatory asset, then OPG from an IESO accounting perspective would really simply be getting financing from OPG, and the desired non-consolidation objective would not be achieved (as IESO is not a GBE).

On one of your points, wouldn't a Provincial guarantee, legislated or otherwise, weaken the self-sustaining argument, potentially leading to consolidation of the Trust not through OPG as a GBE?

Ron

From: Ken Kandeepan
Sent: February-26-17 1:15 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: EXTERNAL - Urgent -- Electricity Rate Mitigation

Hi Gadi and Ron

I am forwarding the email I sent to OPCD yesterday with my comments on the OPG accounting submission. I have not heard back from OPCD as yet, however, in the interim you may find this useful especially in light of the Monday AM meeting.

I have essentially and cautiously concluded that this mechanism will work, and there will be no fiscal impact to the Province.

There as expected risks and they can be encapsulated as follows:

- for the Province to be fully offset on the additional IOD arising from the debt incurred to provide the equity injection, its essential that OPG's net income projections in the fiscal plan, not vary materially. The interest income that OPG will receive from the deferral will be on top of these projections and should therefore serve as a full offset to the Province's incremental IOD.

- The markets may demand an interest rate greater than the 5% assumed in the model, for the senior debt borrowed by the Trust. While that does not impact the fiscal integrity of the model, the deferral balance in 2030 may be greater than what is currently projected requiring the extension of the repayment period.
- In the above context, as you have pointed out Gadi, previously, the Government may need to provide legislative guarantees on behalf of the Trust, that may well contribute to minimizing the interest rate on the external borrowings, but may also result in the Rating Agencies adding this debt to that of the Province.
- Finally, I would hope that OPG would increase its dividends to the Province by an amount equal to the interest applicable to the equity injection of 44%. This will provide the Province a much needed cash offset to the incremental IOD incurred.

Having said all of the above, the deferral mechanism is undoubtedly preferable to the alternative of expensing the GA relief and with its material and deleterious effect on the balanced budget.

In case OPCD does get back to me with their comments that contradict my conclusion and/or point out a material issue that I have missed, I will let you know ASAP.

Thanks

Ken k

From: Ken Kandeepan
Sent: Saturday, February 25, 2017 4:15 PM
To: Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Cc: John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: EXTERNAL - Urgent -- Electricity Rate Mitigation

Hi Cindy and Nadine

John and I went through the accounting entries from OPG and have the following comments.

- OPG assumes that the Trust will collect interest revenues that are equal to its interest expense. It appears that these interest revenues will be collected from ratepayers based on the sample customer bill at the top of their sheet.
- The deferral amount includes the interest so that the net deferral for the ratepayer remains constant at 30%
- As a result the income statement of the Trust will present a net income of zero over the first 14 years or so during which the deferral is provided.
- Since OPG receives interest from the Trust on all three funding sources (the 51% from the external markets, 44% from the equity injection that OPG subsequently loans to the Trust and the balance 5% from OPG which it borrows externally) OPG's net interest income and its net income (all else being equal will increase by the amount of the interest attributable to the equity injection

- That in turn, upon consolidation, will offset on a fiscal basis the increase in the Province's IOD attributable to the debt incurred to provide the equity injection.
- Presumably OPG's annual dividends will increase by the amount of the net interest revenue(0.34,1.05 and 1.78 respectively in the spreadsheet) providing the Province with a cash offset for the increase in its IOD.
- One issue is the ability of the Trust to borrow senior debt from the markets at 5%. Presumably some sort of legislative guarantee may be required in which case the Rating agencies may include this debt with that of the Province is assessing its rating. However, that is something that can be reviewed later and with considerably more expertise by Gadi.

On this basis I would very cautiously conclude that this approach will work and there will be no net fiscal impact to the Province and OPG. Unfortunately, the Province's IOD will increase along with a key ratio such as IOD to revenues, however, that last impact should be mitigated to some extent by the BPS line by line consolidation which will increase revenues substantially.

If required, I am available for discussion over the balance of today and any time after 12.30PM tomorrow.

Let me know if you agree with my conclusions and if so I will let Gadi know to pass it on to Scott.

Thanks

Ken k

-----Original Message-----
From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: Saturday, February 25, 2017 12:15 AM
To: Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; MAUTI John -FIN & C CTRL <john.mauti@opg.com>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

As requested, we have updated the model for OPG and Trust based on the parameters specified – bills of $100, $105, $95 over the next 3 years as outlined in your illustration. We have to add in the interest portion for reflect the recovery in your example. Also, we wanted to note that the example in your illustration is based on deferral of actual bill (not the GA amount), which is different from our understanding of how the deferral would work. But I trust the illustration is sufficient to illustrate OPG's and the Trust's accounting for your purposes.

As mentioned before, I understand that this is a simplified model, but some additional features could be added at a later date when there is sufficient certainty. For example:

o the financing model would include debt at different rates based on the tranche and the rate implicitly charged to customers would be determined based on the ultimate model and the legislation (may not be the same as the debt financing rate)

o the Trust may have embedded features which may be introduce variability into the Trust.

Alec

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, February 24, 2017 5:02 PM
To: CHENG Alec -FIN & C CTRL; MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

Alec/John,
To help us better understand the interest impact on the Province overall, it would be helpful if you could complete the interest related entries in the original model (attached) for OPG and OPGTrust, for the first couple of years.
Also, we wondered if could share any details on how the billing is anticipated to work (based on discussions you may have had with the Ministry of Energy).
We will monitor our emails for your response.
Thanks in advance.
Nadine

From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: February-24-17 4:06 PM
To: CHENG Alec -FIN & C CTRL; Petsche, Nadine (TBS); MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (feedback requested today)

Sorry, sent this before I attached the table.

Customer Bill

Current Yr

New Yr

0

1

2

3

Other (Non-GA components)

60

60

60

60

GA

100

100

100

100

GA Deferral

-30

-31.5

-33.1

Interest

1.5

3.1

Total Bill

160

130

130

130

From: CHENG Alec -FIN & C CTRL
Sent: Friday, February 24, 2017 4:04 PM
To: 'Petsche, Nadine (TBS)'; MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL – Urgent -- Electricity Rate Mitigation (feedback requested today)

Our comments:

- We cannot verify the IESO entries, but assuming that KPMG is looking at that.

- The current proposal is to have the Trust collect revenue from customers, so the Trust should recognize revenue (which comprise of interest and other recovery amounts) before we start collecting the principal amount from the customers (i.e. before year 5) (see the table below as an illustration)

- I understand that this is a simplified model, but some additional features should be added at a later date when we have more certainty:

o the financing model would include debt at different rates based on the tranche and the rate implicitly charged to customers would be determined based on the ultimate model and the legislation (may not be the same as the debt financing rate)

o the Trust will have embedded features which will introduce other variability into the Trust

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, February 24, 2017 12:28 PM
To: MAUTI John -FIN & C CTRL; CHENG Alec -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: EXTERNAL – Urgent -- Electricity Rate Mitigation (feedback requested today)
Importance: High

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. *** _____

John/Alec,

In advance of next Monday's FPC meeting, we would like to confirm our understanding of the net fiscal impact under the Electricity Rate Mitigation model as currently envisioned. Attached for your review is a model outlining the transactions and impacts as we understand them. The net impact on interest expense to OFA and the Trust appears on lines AS 40 – AS 42.

We would appreciate your comments on the attached as well as any suggestions on how to address the net fiscal impact over the term of the proposal, today if possible.

Regards,
Nadine

_____
_____

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From:	Ronald Kwan
To:	Francisco Chinchon; Darren Scanlan
Cc:	John Kim
Subject:	RE: IGS-MO Bi-weekly
Date:	Tuesday, September 26, 2017 1:13:20 PM
Attachments:	IGB Issues Forecast 2017 09 26 v02.docx IGB-MO bi-weekly 2017 09 26 v02.docx

Hi,

FYI. Any comments on the Lakeview and COO items? Other items?

John will attend for me tomorrow, as I'll be in Pickering.

Ron

-----Original Appointment-----
From: Eva.Karpowicz2@ontario.ca [mailto:Eva.Karpowicz2@ontario.ca] **On Behalf Of** Nelms, Scott (MOF)
Sent: September-26-17 13:09
To: Montgomery, Kaitlin (MOF); Jonathan Tekle (CAB); Marianne Nguyen (MCYS); Buttivant, James (MOF); Moore, Brynne (MOF); Young, Gwendolynne (MOF); Elizabeth Mendes (MOF); Nancy Kennedy (MOHLTC); Vivienne Skoberne (MOHLTC); Keley Katona (ENERGY); Cengarle, John (MOF)
Cc: Sybille Chan (MOF); Kelsey Ingram (OPO); Martin, Jessica (MOF); Parker, Noah (MOF); Koukoulas, Sophia (MOF); Ronald Kwan; Gavin He; John Kim
Subject: IGS-MO Bi-weekly
When: September-27-17 09:30-10:00 (UTC-05:00) Eastern Time (US & Canada).
Where: CCTB brm, FN-2

Sep. 26: Agenda and Issues Forecast added.

Sep. 21: please note change in time and location.

Sep. 15: please note change in date and time.

Series from Aug. 22 -Jan. 31.

<< File: IGB-MO bi-weekly 2017 09 26 v02.docx >> << File: IGB Issues Forecast 2017 09 26

v02.docx >>

Issues Forecast – Investment and Governance

as of ~~August 18~~September 27, 2017

Item	Comments	Key Dates
Hydro One Financial Updates	H stock is trading at $22.~~70~~ 68 as of ~~August 17~~September 25, 2017 close, up from $20.50 IPO price. On August 8, 2017 Hydro One released their second quarter results for the three month period ending June 30, 2017. Hydro One indicated that net income attributable to common shareholders was $117M, a decrease of $35M or 23.0% from the prior year, reflecting milder weather, delay in receipt of transmission rate decision and interest rate driven reduction in allowed return-on-equity (ROE). On July 19, Hydro One announced the proposed acquisition of Avista, primarily and electric and natural gas utility in the U.S. Pacific Northwest, for $6.7B. Hydro One concurrently announced a $1.54B bought deal offering of debentures (including the over-allotment option), convertible to common shares at $21.40 per share upon the transaction being finalized (expected in second half of 2018). The FAO has submitted an information request to the Ministry of Finance regarding the partial sale of Hydro One and acquisition of Avista. The Ministry of Energy has also received a request.	**Sept 14** – Hydro One joint regulatory filing for Avista transaction **Sept 29** – Next quarterly dividend payment of $0.22 per share is expected **Sept 29/Oct 13** – Responses due to the FAO **Nov** – Q3 Results released **Q3/4 2018** – Targeted closing of the Avista transaction
Hydro One Governance Requirements	The Province entered into a Governance Agreement with Hydro One specifying certain restrictions and practises which must be followed with respect to voting, governance standards, ability to acquire shares in the future, etc. The Province attended Hydro One's AGM on May 4, 2017, and voted by	**Early 2018** – The Province and Hydro One will exchange Nomination Notices setting out proposed

Issues Forecast – Investment and Governance
as of ~~August 18~~September 27, 2017

Item	Comments	Key Dates
	proxy in advance on current issues (i.e., financial statements, election of directors, appointment of external auditors, executive compensation). A ministry representative met with the chair of Hydro One's Nominating and Governance Committee and confirmed respective intentions in regards to Directors each does not expect to re-nominate in the next one to five years. The Ministry is working with Hydro One and across government to ensure appropriate protocols are in place regarding Hydro One initiatives that may have implications on the Province's ownership share. TBS has indicated a desire to align the Hydro One controls with respect to financial declarations with requirements in the Public Service of Ontario Act.	Director nominees
Chiefs of Ontario (COO) Engagement	Ministry reported back to TB (September 13th) and Cabinet (September 28th) on the results of the negotiation and obtained approval for the deal. COO and the Province reached an agreement in principle on June 16th, 2016, and received ratification of the terms at the Chiefs-In-Assembly meeting on June 29th, 2016. On June 30, 2017 the Loan Agreement and Share Purchase and Contribution Agreements were executed. The Chiefs Committee on Energy (CCE) held webinars with First Nations communities throughout the summer to complete a page turn of the definitive agreements. About 20 commitment letters have been received to – date. ~~The Ministry of Energy has received appropriation through PRRT for cash~~	~~**Summer 2017** – The Chiefs Committee on Energy (CCE) is holding webinars with First Nations communities to complete a page turn of the definitive agreements.~~ **October, 2017** – TBS will bring forward a regulation to transparently account for the transaction. **October 31, 2017** – Targeted closing date for

Issues Forecast – Investment and Governance
as of ~~August 18~~September 27, 2017

Item	Comments	Key Dates
	~~and share disbursements assuming financial close in 2017/18.~~ ~~In order to book the transaction, the~~ Finance working with TBS ~~Province will develop~~on a regulation to enable reporting of the value conveyed to First Nations through the share sale.	transaction, but prior to December 29, 2017. **December 29, 2017** – Final allowed closing date.
Métis Nation of Ontario (MNO) Engagement	Ministry reported back to TB (September 13th) and Cabinet (September 28th) and obtained a revised mandate for discussions with MNO. Formal negotiations with the MNO commenced in October 2016. Six full team meetings and several lead negotiator 1:1 conversations have subsequently occurredNegotiations continued in May 2017. The Minister of Energy sent a letter to President Froh reaffirming his support for negotiations to continue at the table between the negotiating teams. MNO has indicated it is interested in starting up negotiations again ~~in the second half of September~~, assuming the Ministry of Energy approves of two new requests 1) New members and 2) a separate discussion on electricity rates The Ministry of Energy has agreed to the additional members ~~item 1~~, and is open to establishing an Energy table with the MNO, however, the table would be contingent on a successful negotiation. Some thought would need to be given on what a successful outcome of the table would look like. ~~has indicated it would be open to exploring a potential table after negotiations are completed.~~	**Early Oct** – Next MNO / Provincial negotiating meeting **Date TBC** – MNO will submit a request for Phase 2 capacity funding.

Issues Forecast – Investment and Governance

as of ~~August 18~~September 27, 2017

Item	Comments	Key Dates
Ontario Power Generation (OPG) Financial Updates	On August 11, 2017 OPG announced Q2 results for the three month period ending June 30, 2017 OPG's net income attributable to the Province in Q2 2017 was $303 million, compared to $132 million in Q2 2016. The increase in earnings primarily reflected the one-time gain from the sale of OPG's head office premises and associated parking facility, partially offset primarily by the earnings impact of the expected decline in generation due to planned outages for the Darlington Refurbishment Project.	
Ontario Fair Hydro Plan	In March 2017, Ontario's Fair Hydro Plan was announced and the Fair Hydro Act, 2017 received Royal Assent in June 2017. Effective July 1, RPP rates were updated to reflect the full impact of OFHP. The Ministry of Finance is working with the Ministry of Energy on a number of outstanding business issues, including a Provincial Guarantee which would be provided by both the Minister of Energy and Minister of Finance to support OPGs financing activities	**Sept 26** – TB/MBC **Fall 2017** – - ~~Amending regulations under the Fair Hydro Act~~Regulatory amendments related to recovery of interest and fees - PILs exemption - Protection Agreement - Sub-debt Agreement
Stelco	On June 30, 2017 Bedrock completed the acquisition of Stelco, allowing	~~**Date TBC**~~**Sept. 22** – ~~Meeting with Hamilton~~

Issues Forecast – Investment and Governance

as of ~~August 18~~September 27, 2017

Item	Comments	Key Dates
	the company to emerge from creditor protection under the CCAA. As part of the restructuring, Stelco's lands are placed into a Land Vehicle (Land LP) with a mandate to produce value for retirees' pensions and OPEBs. Landco will have a board of directors, with one representative of both locals, one representative of the salaried employees as well as four independent members. ~~The Ministry is meeting with the Hamilton Port Authority to discuss opportunities to develop the Stelco site.~~	~~Port Authority~~Second draw on the Provincial landco loan ~~-~~($1M)
Algoma	On November 9, 2015, Algoma filed for creditor protection under CCAA. Contributing factors include a supply chain interruption with its principal iron ore supplier, declining steel prices and demand, imported subsidized steel, and a highly leveraged balance sheet. Since November 1, 2016, Algoma's senior term lenders (the bidder which has emerged from Algoma's sale and investment process) have met with the provincial team (MNDM, MOECC, MOF and provincial advisors) and the federal government to present their business plan and requests of all stakeholders. The Union, Lenders and Company ~~have now~~ reached an agreement allowing ~~that~~ MAGA (the Union, Tom Clarke and his financiers) ~~will be allowed~~ to perform due diligence and present an offer by September 8. ~~They have~~MAGA conducted due diligence ~~until September 8 to present an offe~~ but did not present an offer.~~r which is to include sources and uses of funds~~. The CCAA Applicants have brought a motion forward to extend the stay of proceedings to March 31, 2018 and permit Algoma to pay the City of Sault	**Sept. 27** – Motion to be heard **Fall 2017** - Tracking to TB

Issues Forecast – Investment and Governance

as of ~~August 18~~September 27, 2017

Item	Comments	Key Dates
	Ste. Marie additional property taxes going forward, which the lenders have agreed to. Another party has expressed an interest in acquiring or making an investment in Algoma. The locals have wrote to the lenders, Tom Clarke and the new Pary indicating conditions on which they would reengage in discussions regarding the renewal of their collective agreements and the lenders have indicated they are willing to begin those discussions. Achieving revised collective agreements and pension arrangements is a condition to complete the recapitalization transaction.	
Affordable Housing	The Ministry of Housing (MHO) and Infrastructure (MOI) reported back to TB/MBC in June 2017 with a detailed program design for the Affordable Housing Lands Program and received approval to move forward with the first wave of pilot sites The program leverages surplus provincial properties to deliver affordable housing. The Ministry working with IO will support MHO and MOI in seeking TB approval for the next wave of pilot sites in the Fall.	**October 17** – TB approval

Investment and Governance Branch Bi-weekly Meeting
September 27, 2017

AGENDA

Item	*Supporting Materials*	*Decision Direction Update*	*Comments/Context*
1. Issues Forecast	Yes	Update	
2. Lakeview	No	Update	- OPG ready to move forward with successful bidder, pending Provincial approval
3. Hydro One			
a. Governance	No	Update	- Protocol/ Financial Declaration
b. FAO Request			- Responses due Sept. 29 / Oct. 13
c. COO			- Timing / EPC's Recieved
4. Stelco	No	Update	- Second advance on the landco credit facility on September 22
5. Fair Hydro Plan	No	Update	- TB / MBC September 26
6. FES	No	Update	- Tracking for late Oct/Early Nov

From:	John Kim
To:	Ronald Kwan
Cc:	Bruno Amara; Shajee Kathirgamanathan; Salman Qadir
Subject:	RE: M - FHP Briefing (2017 06 19 v8).pptx
Date:	Thursday, June 22, 2017 5:32:39 PM
Attachments:	M - FHP Briefing (2017 06 19 v11)_Markup.pptx

Hi Ron,

Pls. see attached. Some contents are to be completed as details are firmed up, namely, the indemnities.

John

From: Ronald Kwan
Sent: Wednesday, June 21, 2017 1:41 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: M - FHP Briefing (2017 06 19 v8).pptx

Hi John,

Some initial feedback, as attached.

I'd move some of the context to an appendix – useful for the OFA ARMC, as it was our first briefing for them, but more as reminders for the Minister, if needed; and some of the detail too.

I'd beef up some of the slides on MOF-specific approval items.

Could add in an overall timeline slide too.

Thanks,
Ron

From: John Kim
Sent: June-20-17 16:59
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: FW: M - FHP Briefing (2017 06 19 v8).pptx

Hi Ron,

Pls. see attached draft. Comments are welcome.

Thanks,

John

From: Bruno Amara
Sent: Tuesday, June 20, 2017 4:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: M - FHP Briefing (2017 06 19 v8).pptx

Hi john

See revised draft. Added a slide on Treasury Policy

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division
June XX, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- Refinancing the Global Adjustment
- Outstanding Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - PILs Exemption
  - Performance Management Fees
- Appendix: GA Financing
  - GA Refinancing Structure
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- On May 31, 2017, the government passed the Ontario Fair Hydro Act, 2017, to enable the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits (essentially for those eligible for the Regulated Price Plan).
  - Implementation steps include a set of regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
    - The Global Adjustment recovers a portion of the commodity supply and conservation costs of electricity.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

Overview:
The Ontario Fair Hydro Plan (cont'd)

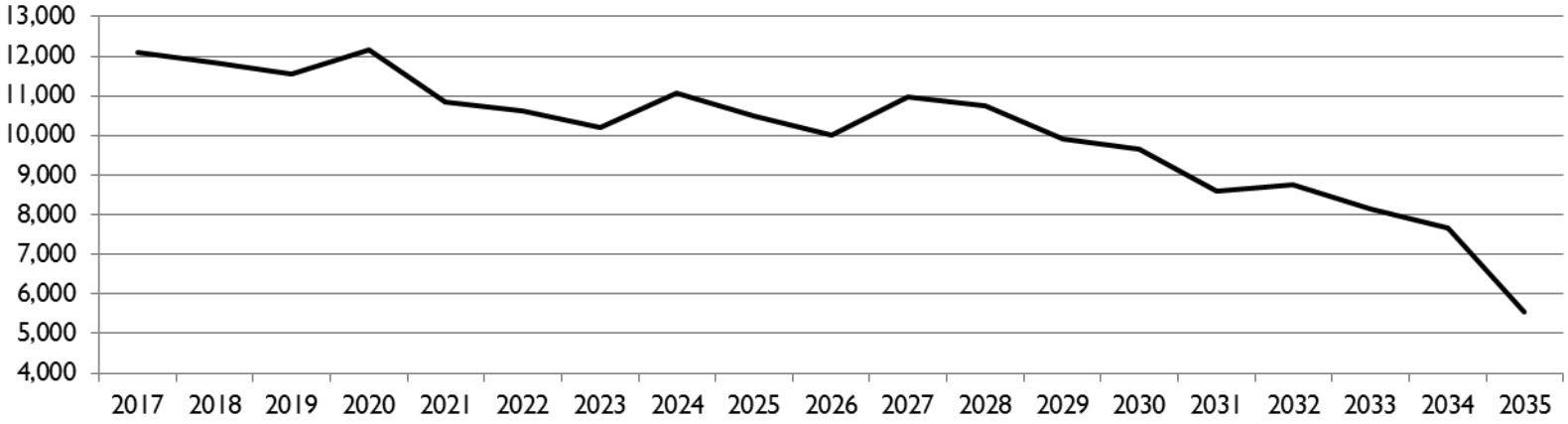
- Other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

Refinancing the Global Adjustment

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.
- Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



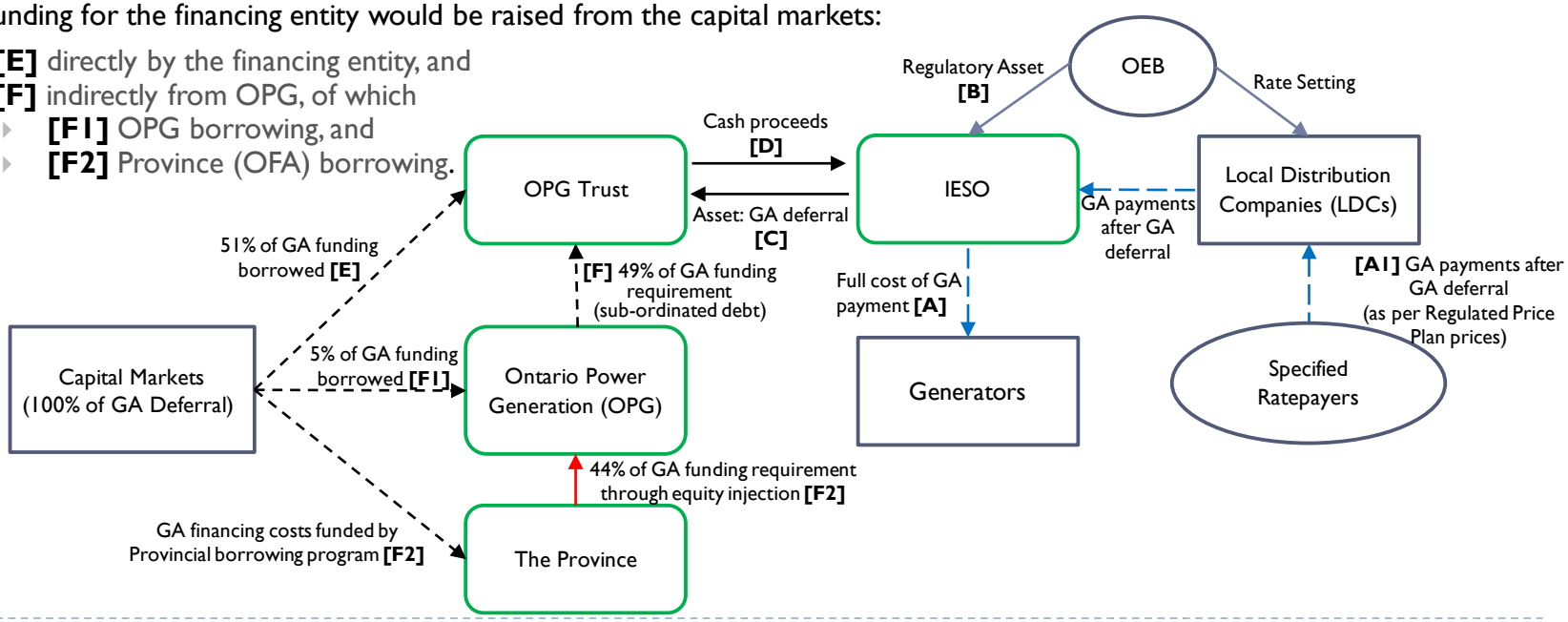
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

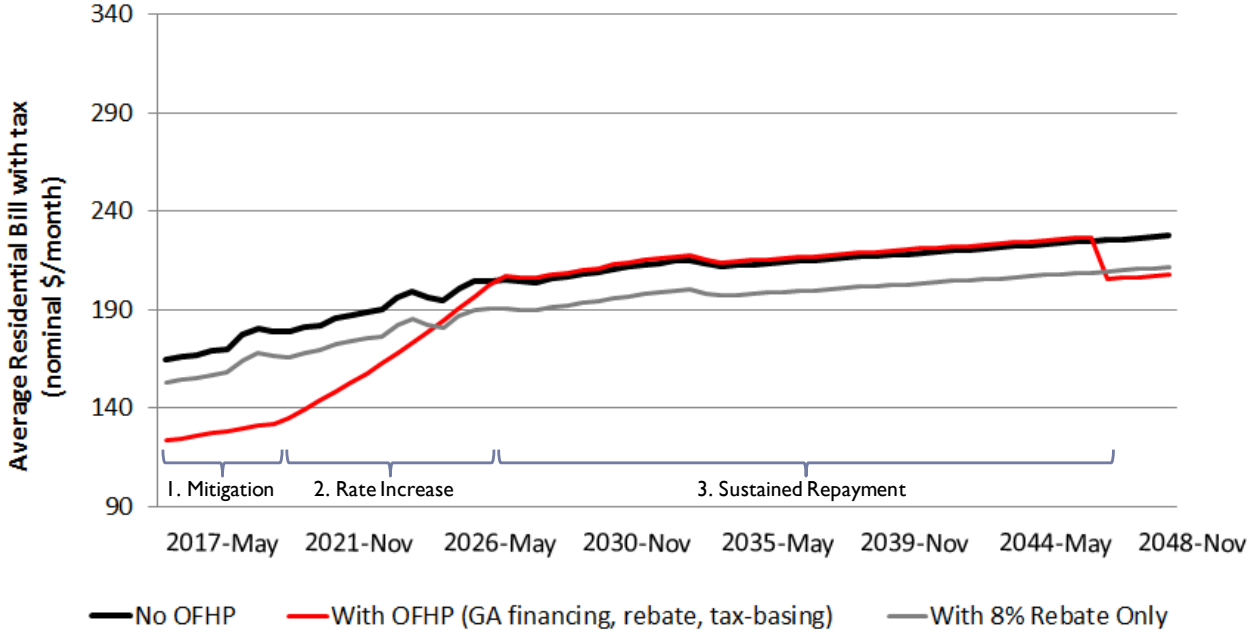
GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG would be able to establish a special purpose vehicle (OPG Trust) financing entity.
- **[A]** Under the OFHP, the IESO will continue to pay generators their contracted and regulated prices. **[A1]** However, LDC payments will be less, as Regulated Price Plan prices are set based on a portion of the GA deferred in order to support the initial 25% reduction (and subsequent adjustments).
- **[B]** The IESO will set up a deferral account, vis a vis a 'regulatory asset', with a right to recover the deferred costs and financing costs, as authorised by the OEB.
- **[C]** Under the Act, the Independent Electricity System Operator (IESO) would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Province (OFA) borrowing.



Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

MOF-Related Outstanding Issues

IESO Treasury Policy (Requesting Minister's Approval)

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998,* the IESO is required to maintain investment, borrowing and financial management policies and procedures.
- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.
- The revised IESO Treasury Policy incorporates the following two changes:
  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017.*
  2. Increase counterparty exposure to Schedule A Canadian Banks from the current $420million to $500 million, an increase of $80 million exposure per counterparty.
     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.
- OFA staff have reviewed and have no concerns with the requested changes.

Indemnity
(Requesting Minister's s.28 Approval)

- The Ministry of Energy is proposing to provide on behalf of the Province certain indemnities as requested by OPG and IESO, and is preparing a submission to the Minister of Finance for approval under s.28 of the *Financial Administration Act, 1990*.

- OPG and IESO are requesting that the Province indemnify the corporations and their respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan.

- Summarize key issues/terms. [To be completed.]

- Ministry of Finance staff recommend approval of the s.28 request [TBC]

Provincial Support Agreement

- The OFHP Act, s. 5 outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include:
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (e.g. ,Holders of debt), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
- The Provincial Support Agreement is currently under discussion among Ministry if Finance, Ministry of Energy, external legal consultants and OPG. Separation between the Province and OPG is necessary to maintain appropriate accounting treatments.
- There are three facets of the draft proposed Provincial Support Agreement currently under discussion. Each of these would require Agreement/approval of ministers of energy and Finance:
  1. Performance Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including collection and remittance of Clean Energy Adjustments.
  2. Indemnity: Provided by Province for Financing Entity against claims from creditors as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity. Indemnity is applies only to direct government actions and would not cover, for instance, OPG activities.
  3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and if unable to do so possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.

Equity Injection – Key Proposed Terms

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
  - OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements
  - OPG will have the right to repay equity subordinated to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the debt is made commencing in 2027
- Ministry of Energy and OFA will have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy.
- Ministry of Energy will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements. OPG will provide forecasts of its equity requirements for the upcoming three years in its business plan submission.

Performance Management Fees

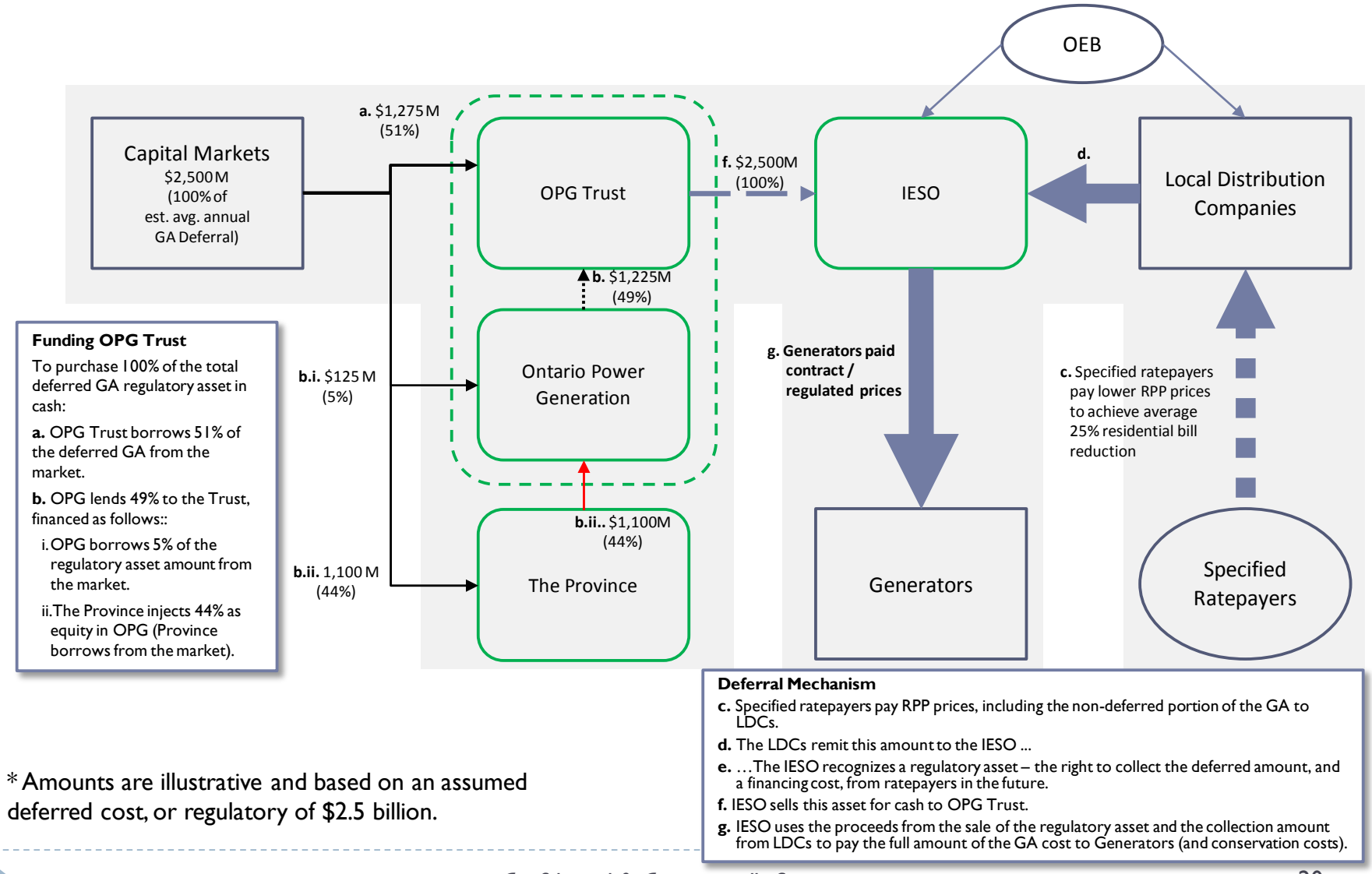
- OPG will be providing all required services to the Trust as part of the OFHP, including planning, strategy, financing, deal execution etc.
- The legislation (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped at 1% of annual incremental issuance amount.
- MOF (OFA) and Ministry of Energy are currently reviewing OPG's performance management fee proposal. [who approves?]

Payment in Lieu of Taxes Exemption (Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is for consideration of regulatory changes to exempt from PILs the income arising to the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - Issue is to exempt or reduce PILs in order to reduce burden on ratepayers, as these costs would otherwise be recovered through the rate base.
  - OFHP Act provides for pass through of PILs payable to ratepayers, as the financing entity is protected and able to support external financing requirements.
- The PILs regulations under the Electricity Act are under the purview of the Minister of Finance
- OPG has sought broad comprehensive exemption for the Trust under the OFHP Act, but consideration by TPD is for specific regulations for a financing entity -- currently envisaged as a Trust.

Appendix: GA Financial Flows & MOF / OFA Roles

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

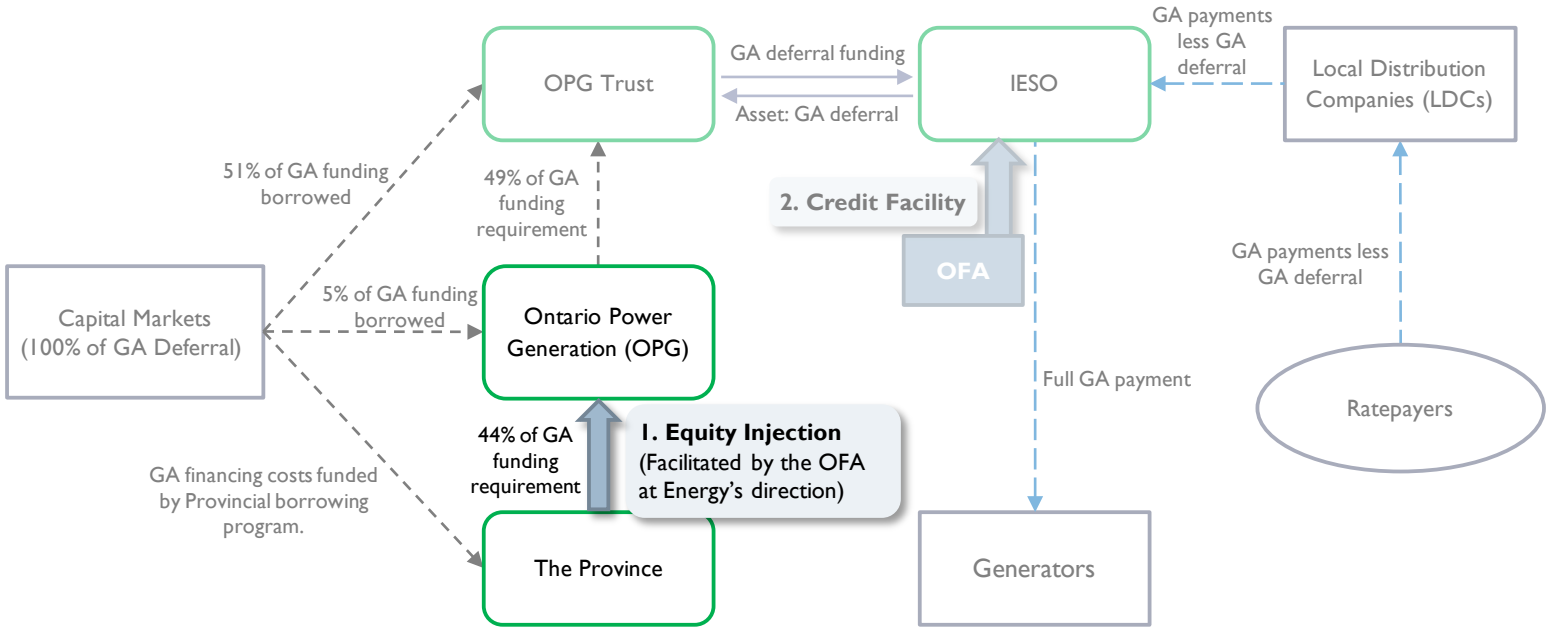
f. IESO sells this asset for cash to OPG Trust.

g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

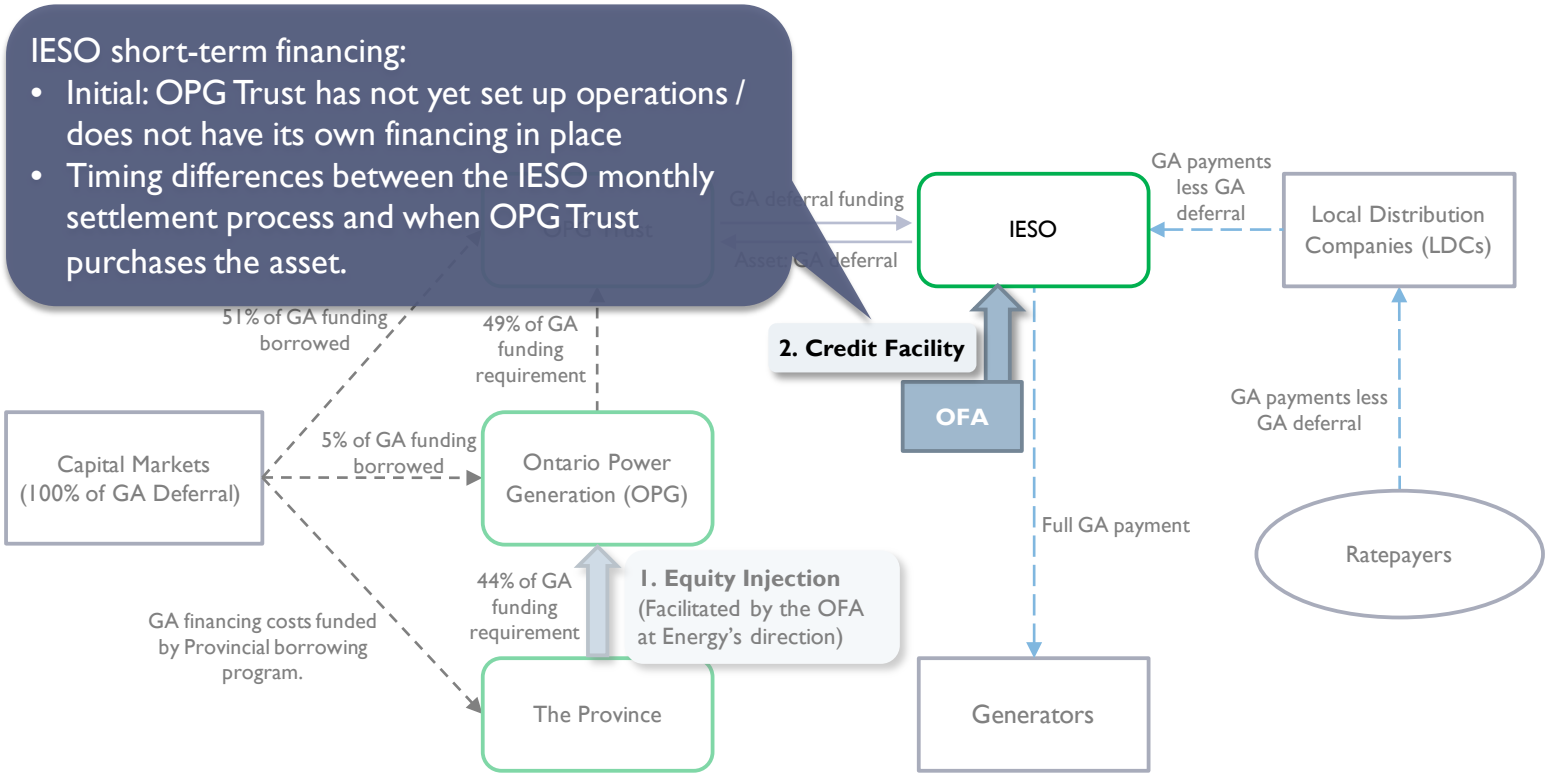
- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

OFA/IESO Credit Facility

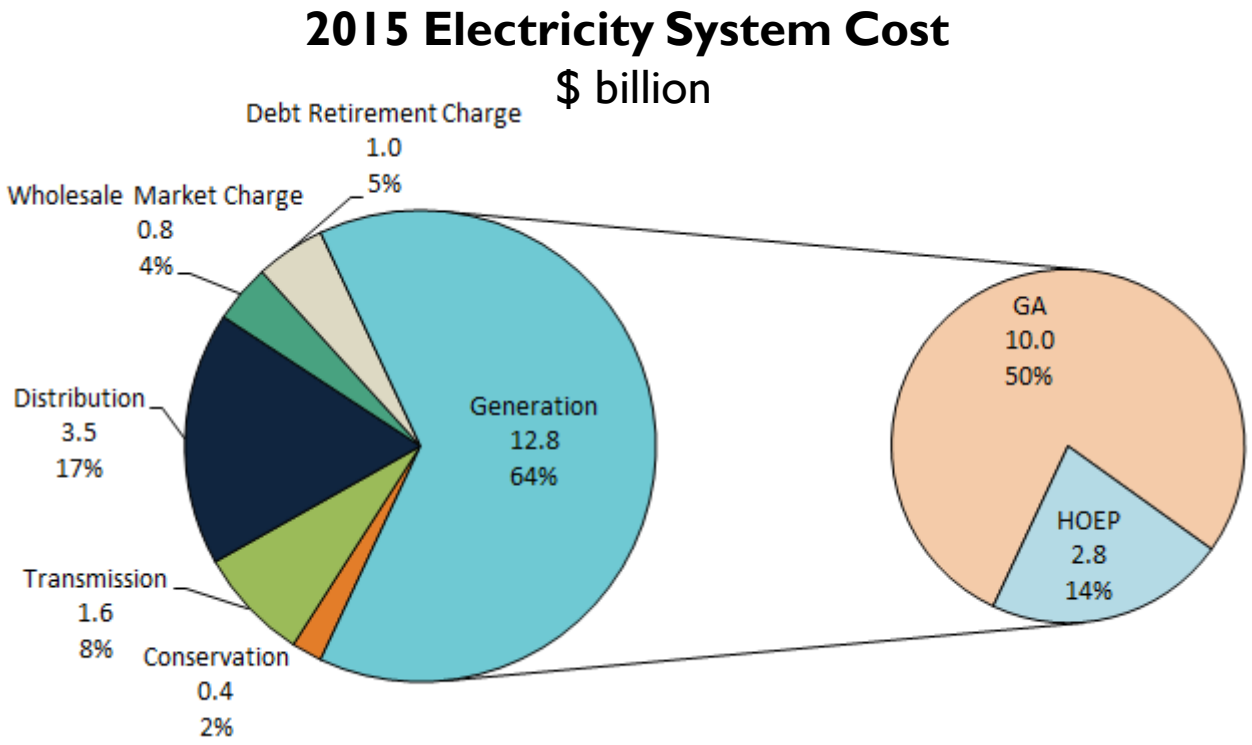
- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Appendix: Background

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

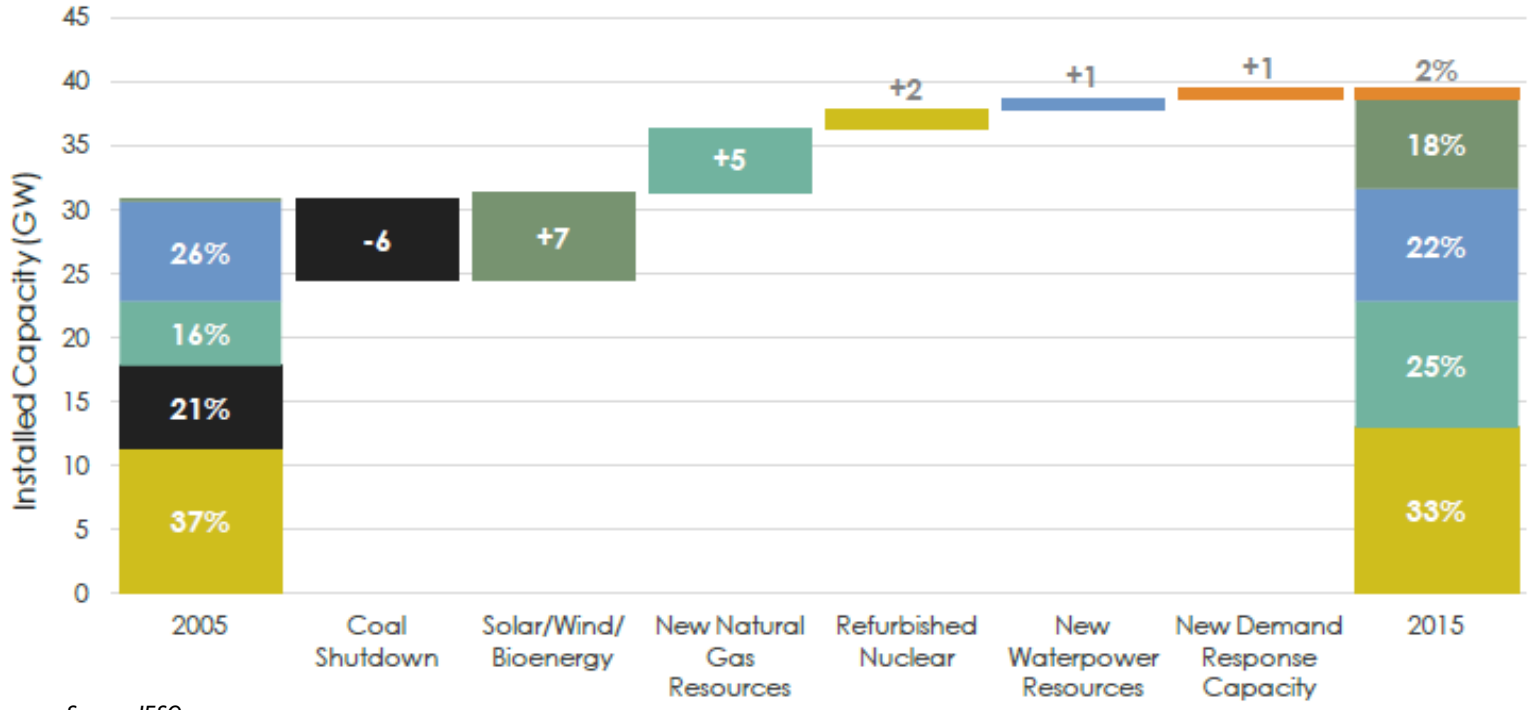
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

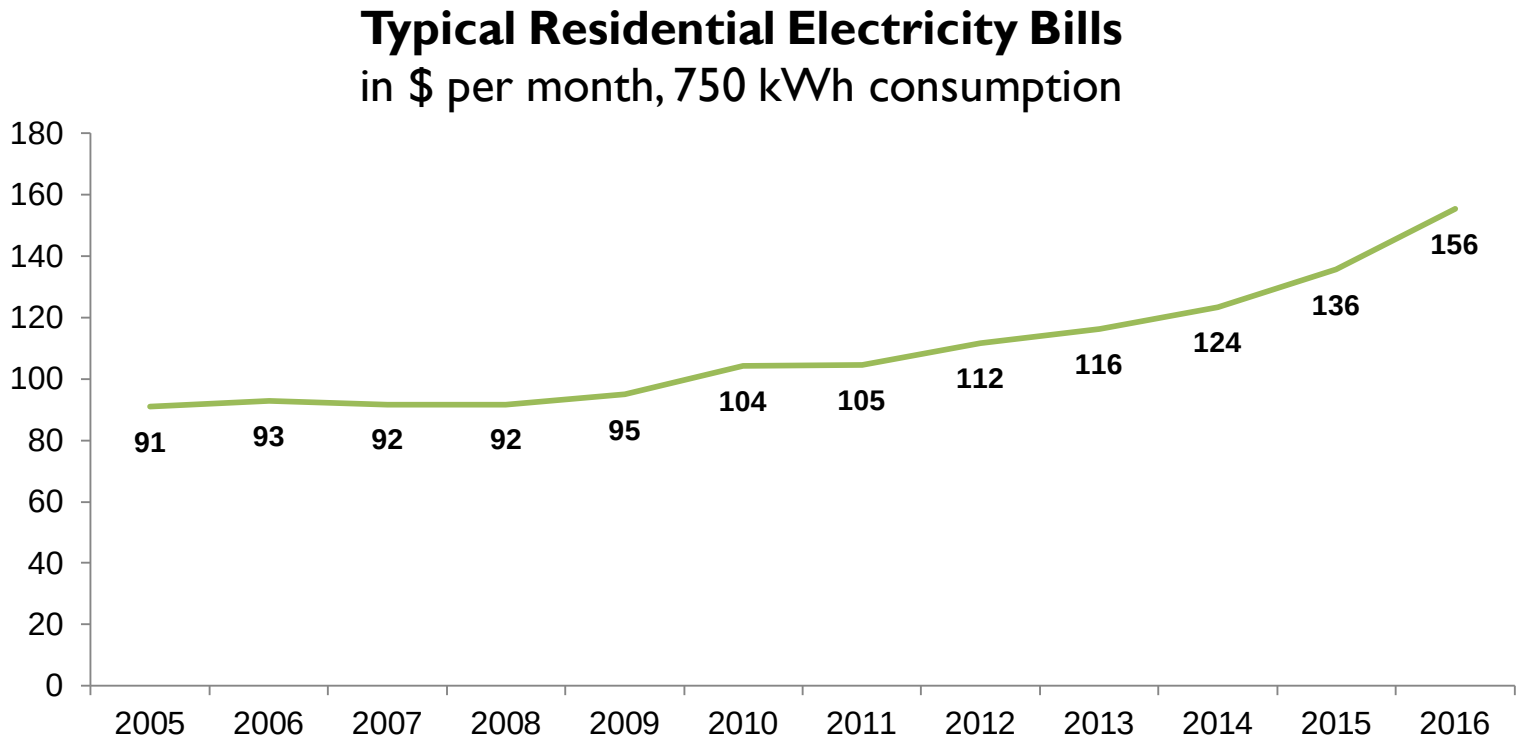
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From:	Bruno Amara
To:	Ronald Kwan
Cc:	John Kim; Shajee Kathirgamanathan; Salman Qadir
Subject:	RE: M - FHP Briefing (2017 06 19 v8).pptx
Date:	Friday, June 23, 2017 1:36:23 PM

OK Thx Ron. We're revising

From: Ronald Kwan
Sent: Friday, June 23, 2017 1:34 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: M - FHP Briefing (2017 06 19 v8).pptx

Hi Bruno,

Looking good. Some suggestions, as attached.

Ron

From: John Kim
Sent: June-22-17 17:33
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: M - FHP Briefing (2017 06 19 v8).pptx

Hi Ron,

Pls. see attached. Some contents are to be completed as details are firmed up, namely, the indemnities.

John

From: Ronald Kwan
Sent: Wednesday, June 21, 2017 1:41 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: M - FHP Briefing (2017 06 19 v8).pptx

Hi John,

Some initial feedback, as attached.

I'd move some of the context to an appendix – useful for the OFA ARMC, as it was our first briefing for them, but more as reminders for the Minister, if needed; and some of the detail too.

I'd beef up some of the slides on MOF-specific approval items.

Could add in an overall timeline slide too.

Thanks,
Ron

From: John Kim
Sent: June-20-17 16:59
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: FW: M - FHP Briefing (2017 06 19 v8).pptx

Hi Ron,

Pls. see attached draft. Comments are welcome.

Thanks,

John

From: Bruno Amara
Sent: Tuesday, June 20, 2017 4:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: M - FHP Briefing (2017 06 19 v8).pptx

Hi john

See revised draft. Added a slide on Treasury Policy

From: Bruno Amara
To: Ronald Kwan
Cc: Shajee Kathirgamanathan; Gavin He
Subject: RE: M - FHP Briefing (2017 06 23 v3).pptx
Date: Friday, June 23, 2017 4:07:10 PM

Ron

I am check with Legal to confirm whether companies are included in indemnity. I think yes for OPG and subsidiaries, but was unclear for IERSO. We may need another edit to the indemnity slide(s). At some point, the corporations had been excluded in Agreement drafts.

Bruno

From: Bruno Amara
Sent: Friday, June 23, 2017 3:45 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: M - FHP Briefing (2017 06 23 v3).pptx

Hi Ron

See revised attached. We have tried to address your comments. The Indemnity slide is now 3 slides in trying to summarize key points and recommendation. We removed most comments that were taken care of. Slide 17 “Provincial Support Agreement” still has a number of comments where we are responding to your comments. Slide 19 Performance management fees, we have not yet determined whether Minister of Finance has an approval role. EIGs may be able to clarify.

Thanks
bruno

From: Bruno Amara
To: Ronald Kwan
Cc: Shajee Kathirgamanathan; Gavin He; Salman Qadir
Subject: RE: M - FHP Briefing (2017 06 23 v7).pptx
Date: Monday, June 26, 2017 8:28:08 AM

Hi Ron

OK will contact CMD on this.

Bruno

From: Ronald Kwan
Sent: Monday, June 26, 2017 8:25 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 23 v7).pptx

Hi Bruno,

Scott N. asked of more on the status of the sub-debt discussion could be put in, say on the discussion of pricing. May need to reach out to CMD folks.

Thanks,
Ron

On Jun 23, 2017, at 5:58 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Thanks Bruno, et al.
>
> Ron
>
> ---
>
> **From:** Bruno Amara
> **Sent:** June-23-17 17:49
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
> **Subject:** M - FHP Briefing (2017 06 23 v7).pptx
>
> Ron see revised slides.
>
> On related matters. There was back and forth most of the day amongst EFB, MOF Legal and Energy Legal with respect to finalizing Indemnity Agreements. I think they should be near final at this point. M. Energy to provide signed request letter on Tuesday. We hope to have a draft on Monday. MoF Legal did not have a change to respond further

on the briefing note today, so we will need to finalize that, hopefully on Monday.

We aim to have approvals packages for 1) Treasury Policy 2) Minister's Directive to OFA re lending facility and 3) Indemnity approval for early next week.

Thanks
Bruno

From: Gavin He
To: Ronald Kwan; Bruno Amara
Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx
Date: Tuesday, June 27, 2017 5:02:37 PM
Attachments: M - FHP Briefing (2017 06 27)_v04.pptx

Hi Ron,

Sure, will do. The meeting has been rescheduled, so I changed the date to June 29th.

Regards,
Gavin He

From: Ronald Kwan
Sent: Tuesday, June 27, 2017 5:00 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Thanks Bruno.

Gavin, please send a clean copy to Jonathan, noting that it is draft and there may be further refinements.

Ron

From: Bruno Amara
Sent: June 27, 2017 4:56 PM
To: Ronald Kwan
Cc: Gavin He
Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

OK Thanks

From: Ronald Kwan
Sent: Tuesday, June 27, 2017 4:53 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Hi Bruno,

Thanks.

A suggested deletion on slide 15.

Ron

From: Bruno Amara
Sent: June 27, 2017 4:09 PM
To: Ronald Kwan
Cc: Gavin He
Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Hi Ron

Slide 11,

I made edits and replied to your comments/questions

Regarding bullet 3 on slide 11, Energy has following in their business case

The exact nature and scope of the risk to the Province of giving the Indemnities is undeterminable at this time, but the risk of liability for the Province arising may be low, with respect to directors, officers and employees, as any such risk may be mitigated by the following factors:

1) In the case of the IESO, the existence of a statutory immunity under subsection 19(1) of the *Electricity Act, 1998* may mitigate against a liability arising against its directors, officers and employees, but does not eliminate such risk.

2) In the case of OPG, the proposed statutory immunity under subsection 39(1) of the *Act* may mitigate against a liability arising against its employees, but does not eliminate such risk.

3) The Indemnities are limited to claims arising in relation to the Protected Persons' respective roles in relation to implementing the ONFHP.

4) The Indemnities do not apply with respect to Losses for which coverage is provided under insurance or another indemnity, to the extent already paid under such insurance, or so indemnified under such indemnification in relation to the claims.

5) The Indemnities do not apply to Losses that are a result of the Protected Person's dishonesty, gross negligence or willful misconduct.

Slide 15: I will make that edit, given uncertainty around current cap proposal.

I did reach out to Kaitlin regarding updated dates. I have not yet heard back.

Thanks
Bruno

From: Ronald Kwan
Sent: Tuesday, June 27, 2017 1:49 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Hi Bruno,

I put in the dates from EIGS Outstanding Business Issues document from last week.

Kaitlin may have updates to those dates, so please check with her.

I dropped one sub-heading slide.

I had a query on wording too on slide 11.

Ron

From: Bruno Amara
Sent: June 27, 2017 1:24:05 PM
To: Ronald Kwan
Cc: Gavin He
Subject: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Ron

Slide 11 revised per comments from legal. They thought these two pts more relevant than previous about statutory protections

Slide 16: Carlos thought it was +/- $1M, rather than +/- 1%. I thought +/-$1M was an earlier draft, but I have not been close to those discussions so perhaps we TBD for now.

I haven't had success yet in getting expected timing for other decisions.

Bruno

Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division

DRAFT: June 29, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- MOF-Related Outstanding Business Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - Performance Management Fees
  - PILs Exemption
- Appendix: GA Financing
  - GA Refinancing
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

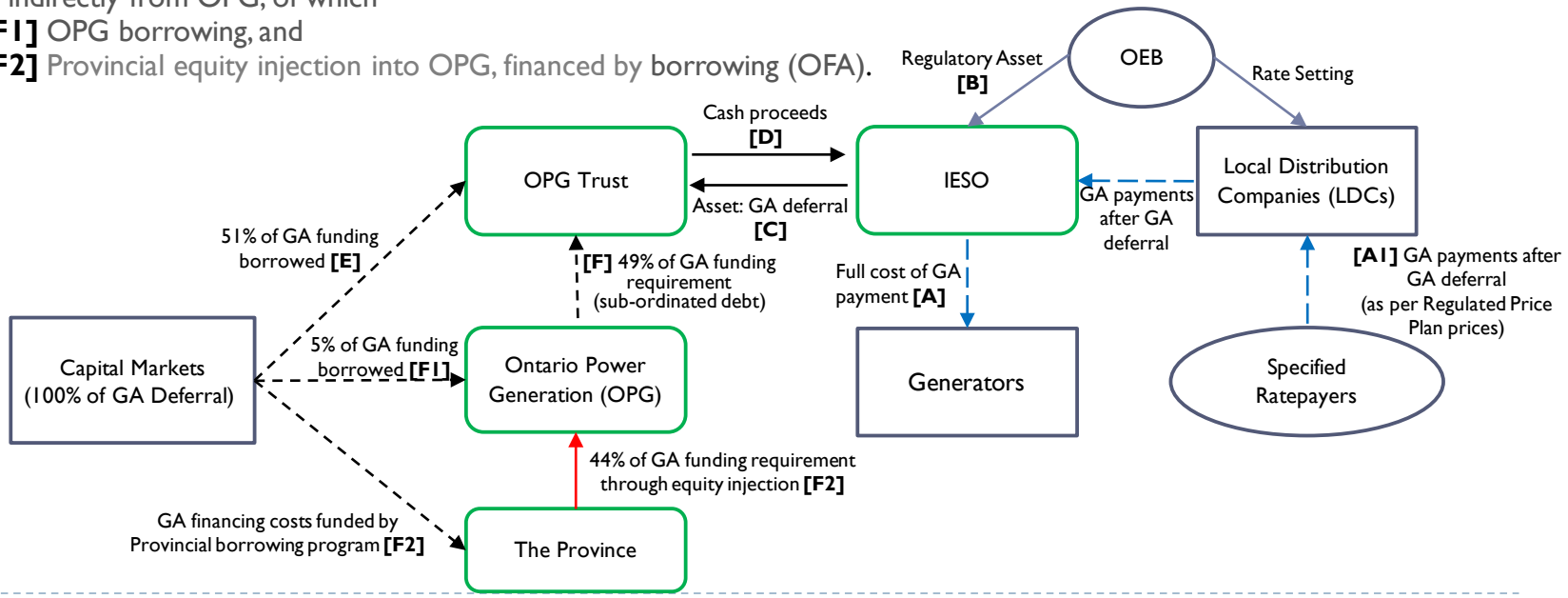
Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- The Ontario Fair Hydro Plan Act, 2017, enables the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits.
  - Implementation steps include regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG establishes a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** IESO continues to pay generators their contracted and regulated prices.
- **[A1]** LDC payments lower, as Regulated Price Plan prices set with a portion of GA deferred to support initial 25% reduction.
- **[B]** IESO sets up a deferral account, a 'regulatory asset', based on a right to recover in the future deferred costs and financing costs.
- **[C]** Under the Act, the IESO would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Provincial equity injection into OPG, financed by borrowing (OFA).



Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

MOF-Related Outstanding Issues

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- The OFHP Act, s. 5, outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (with respect to debts, obligations, securities or undertakings associated with an investment interest), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
- A proposed Provincial Support Agreement is currently under discussion among Ministry of Energy, Ministry of Finance, OFA, external legal consultants and OPG.

Target Timing: End of July

Provincial Support Agreement (cont.)
[Ministers' Approval Item: Pending]

- The Province and OPG are working on a Provincial Support Agreement – a work-in-progress.
- There are three facets of a current draft proposed Provincial Support Agreement. Each of these would require Agreement/approval of Ministers of Energy and Finance:
  1. Service Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including billing, collection and remittance of clean energy adjustments.
  2. Indemnity: Provided by Province for Financing Entity against third party claims as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity. Indemnity applies only to direct government actions and would not cover, for instance, OPG activities
  3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and, if unable to do so, possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.
  - Under both the draft Service Guarantee and the Indemnity, the Service Guarantor (the Province) would have the option to satisfy obligations by "stepping in" and paying, when due, regularly scheduled amounts.
  - In both cases the Servicing Guarantor would not be obligated under any circumstances to pay consequential, special or punitive damages, or for economic loss or loss of profits.
- Note: Separation between the Province and OPG is necessary to maintain appropriate accounting treatment.

Indemnities Requested by OPG & IESO
(For Minister's s.28 Approval)

- The Ministry of Energy is proposing to provide, on behalf of the Province, certain indemnities as requested by OPG and IESO, and is asking, pursuant to Section 28 of the *Financial Administration Act* (FAA), that the Minister of Finance approve this request.
  - OPG and IESO are requesting that the Province indemnify the corporations (OPG and subsidiaries, not including a financing entity, and IESO), respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan (OHFP).
    - A protected person would not be entitled to be indemnified in respect of losses for which coverage is provided elsewhere, including through insurance policies or existing statutory indemnities.
    - Indemnity would not cover a protected person losses that are the result of such protected person's dishonesty, gross negligence or willful misconduct.
- In implementing the OFHP, OPG and the IESO expect to carry out activities that fall outside the scope of their pre-OFHP business activities and corporate mandate. They believe this could subject them to the risk of claims that they are not acting in the best interest of the corporation or in "good faith" with respect to their obligations to their respective corporations.
- The Indemnity Agreements extend to the OPG and the IESO as corporations, beyond the more normal practice of indemnifying directors, officers and employees; and also extends to subsidiaries of the OPG, excluding financing entities under the OFHP Act.
- The Indemnity Agreements include a waiver of claims with respect to indemnitees who are individuals by the Province as shareholder, meaning that except for gross negligence, dishonesty and wilful misconduct, the Province cannot bring an action against an indemnified individual.
- Ministry of Energy notes that in the event that an indemnity claim does arise and a payment is required, the Ministry would be unlikely to be able to support these payments from a current allocation and would need to return to TB/MBC for an adjustment to its allocations.

Indemnity (cont'd)
(For Minister's s.28 Approval)

- Ministry of Finance staff recommend approval of the s.28 request.
  - Ministry of Energy indicates that the Indemnities have been requested by the companies, supporting the implementation of the OFHP.
  - Both the IESO and OPG have specifically asked for these Indemnities in order to allow them to carry out their roles in implementing the ONFHP
  - The Ministry of Energy states that the risk of the Province providing the Indemnities is undeterminable at this time, due to uncertainty around possible claims under the Indemnities. Ministry of Energy notes, however, that the risk is mitigated by the existence of statutory immunities under the *Electricity Act, 1998,* for IESO, and under the *OFHP Act, for OPG,* pre-existing protection for director, officers and employees under insurance and, the limitation of indemnity to claims arising from IESO's and OPG's respective roles in implementing the OFHP.

Target Timing: End of June

IESO Treasury Policy
(For Minister's Approval)

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998,* the IESO is required to maintain investment, borrowing and financial management policies and procedures.

- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.

- The revised IESO Treasury Policy incorporates the following two changes:
  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017.*
  2. Increase counterparty exposure to Schedule A Canadian Banks from the current $420million to $500 million, an increase of $80 million exposure per counterparty.
     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.

- OFA staff have reviewed and have no concerns with the requested changes.

Target Timing: End of June

Equity Injection – Key Proposed Terms

OFA to Support under a Service Level Agreement

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject (monthly, as required) 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Ministry of Energy (as Shareholder) will seek appropriation on an annual basis through PRRT.
- OPG agrees to use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
- Ministry of Energy and OFA would, as proposed, have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy, subject to the approved PRRT amount and 44% share.

Target Timing: End of July

Equity Injection:
Subordinated Debt from OPG

- OPG will lend 49% of the GA asset to the Fair Hydro Trust as subordinated debt
  - OPG will use the Province's Equity injection of 44% of the GA asset
  - OPG will issue to investors an amount equal to 5% of the GA asset
- There will be one or more mezzanine levels of subordinated debt
  - Each mezzanine level of debt will have a different spread over Government of Canada bonds
- The Province's fiscal impact is expected to be minimized
  - Province will have an increase in interest expense arising from issuing long-term debt to finance the equity injection
  - OPG will have increased income from the subordinated debt interest
- The OFA is currently reviewing OPG's subordinated debt interest proposal and will provide comments to OPG once more discussions have taken place with Ministry of Energy staff

Target Timing: End of July (TBC)

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped (TBD).

Payment in Lieu of Taxes Exemption
(Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is a PILs exemption for the income arising from the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - With no PILs exemption, ratepayers will bear the cost of PILs through the rate base.
  - OPG has sought a broad comprehensive PILs exemption for a variety of potential financing structures including corporations, trusts or partnerships.

- The PILs regulations under the Electricity Act are under the purview of the Minister of Finance.

- TPD recommends [TBC] a regulatory exemption for each specific financing entity structure, once the structure is determined. A blanket exemption would create significant risks to provincial revenue and require a number of complex conditions to minimize the potential for precedents and tax avoidance.

- TPD proposes bringing forward for approval the required regulation(s) once OPG advises on each specific financing entity structure and any anticipated future structures or changes to the structure.
  - OPG has raised questions on the timeliness of response for a new regulation, as OPG special purpose vehicles for financing may be put together quickly to respond to different markets and market conditions

Target Timing: By August/September

Appendix: OFHP Additional Measures / GA Financial Flows & MOF / OFA Roles

The Ontario Fair Hydro Plan: Additional Measures

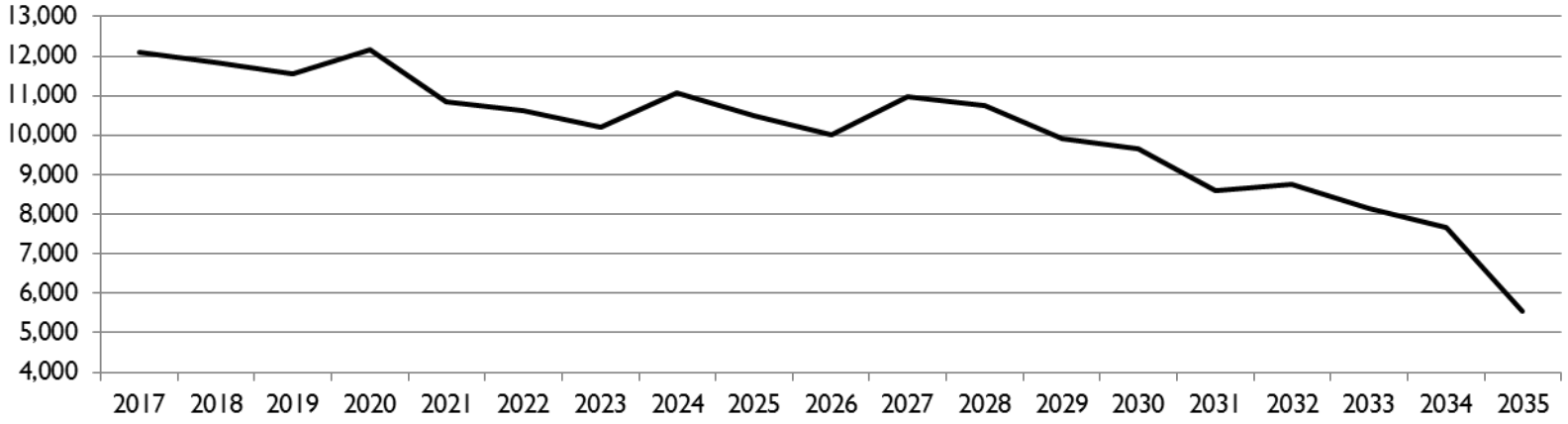
- In addition to the 25% bill reduction, on average, for residential customers, other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



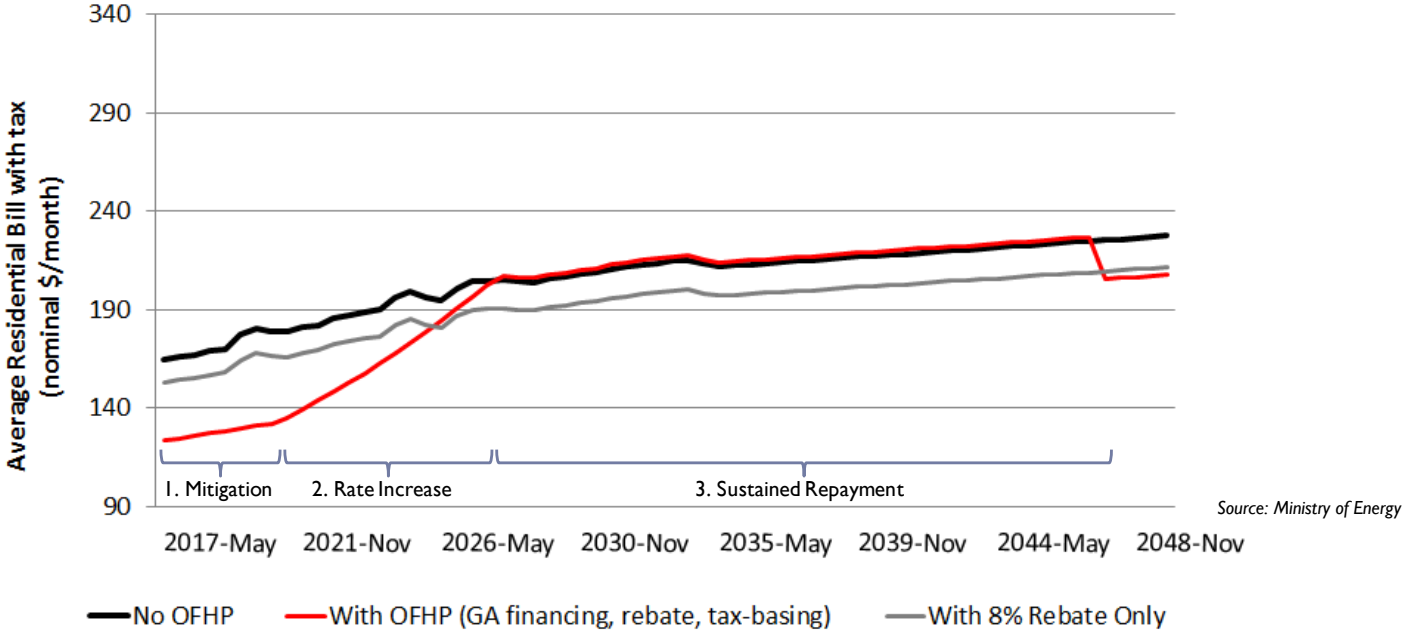
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the deferred amounts and cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Source: Ministry of Energy

Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

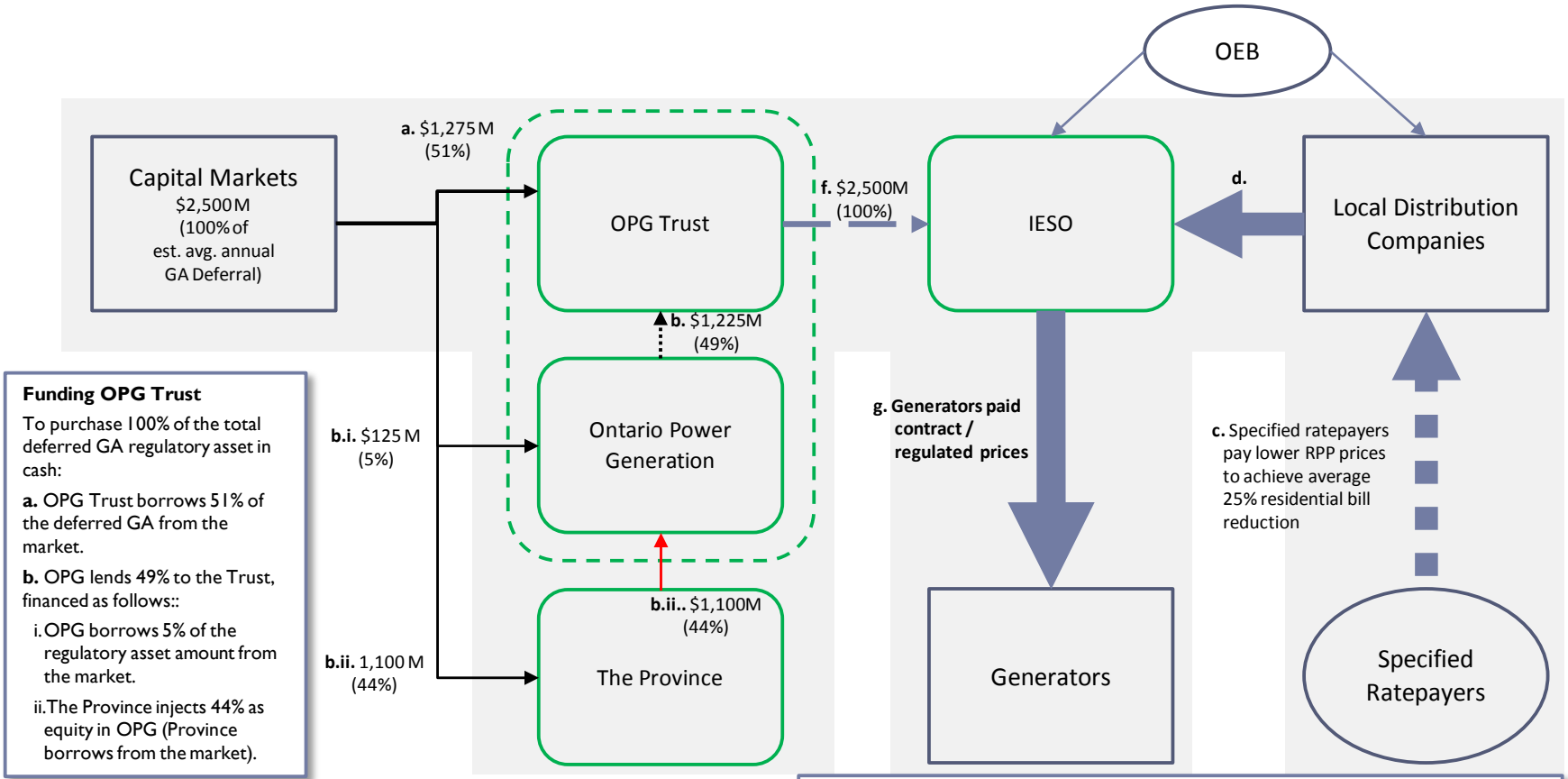
Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

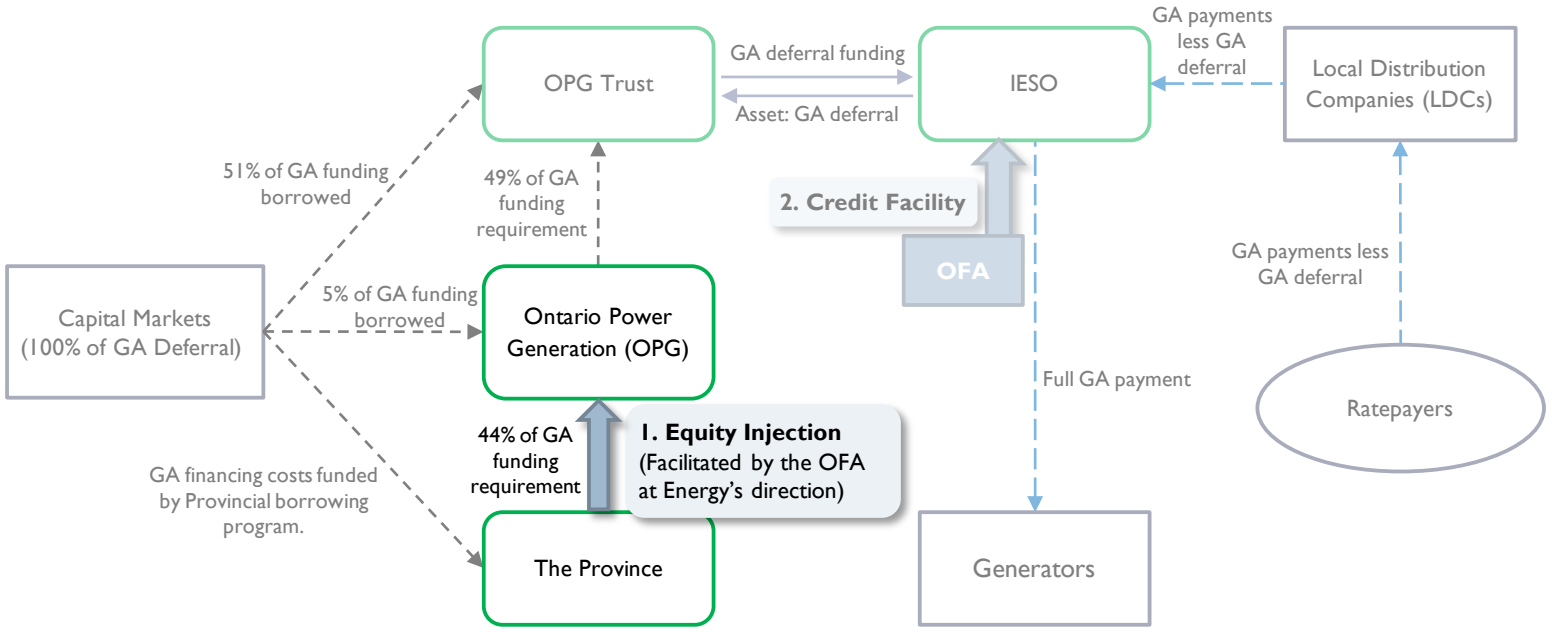
f. IESO sells this asset for cash to OPG Trust.

g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

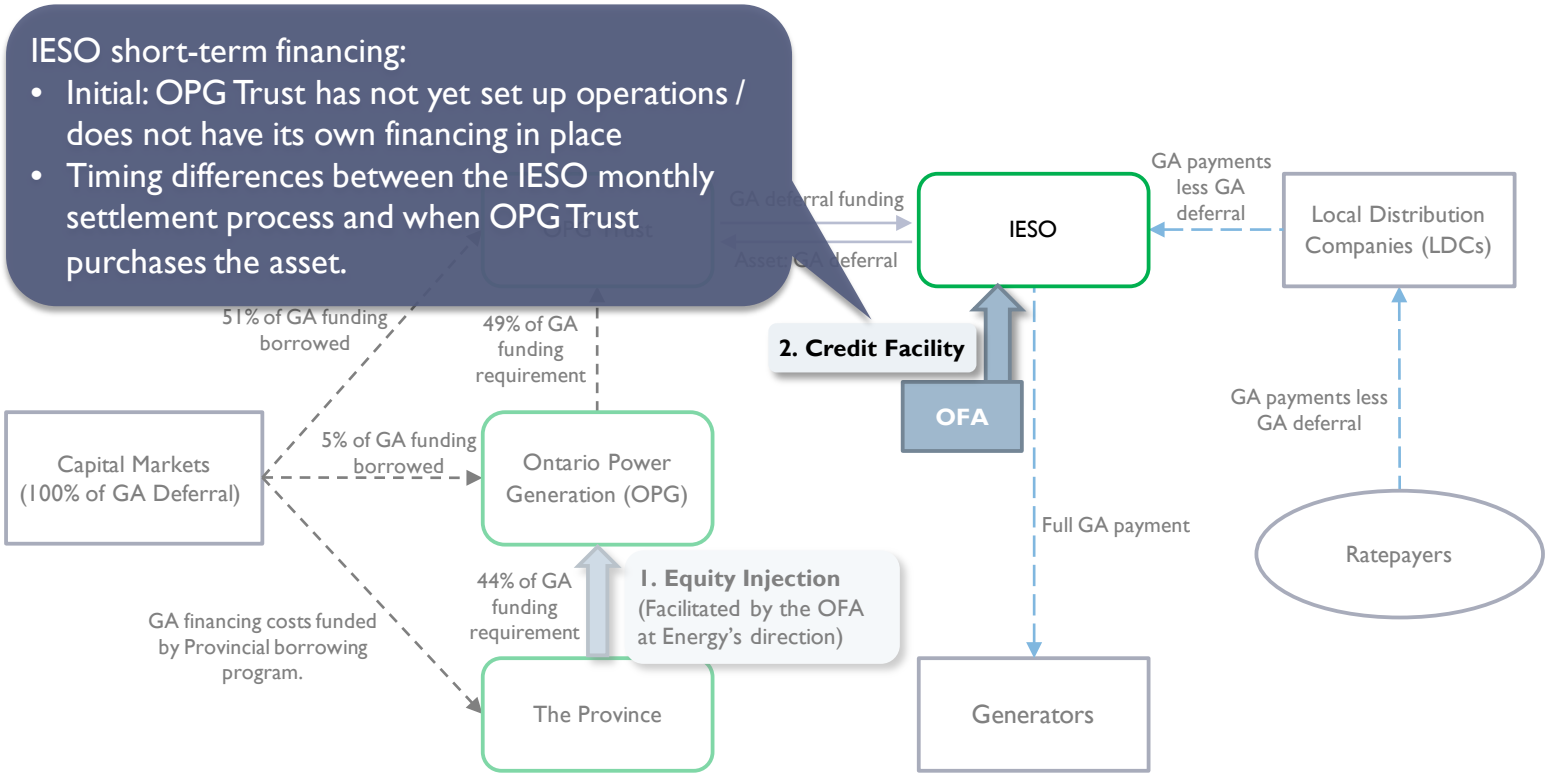
- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

OFA/IESO Credit Facility

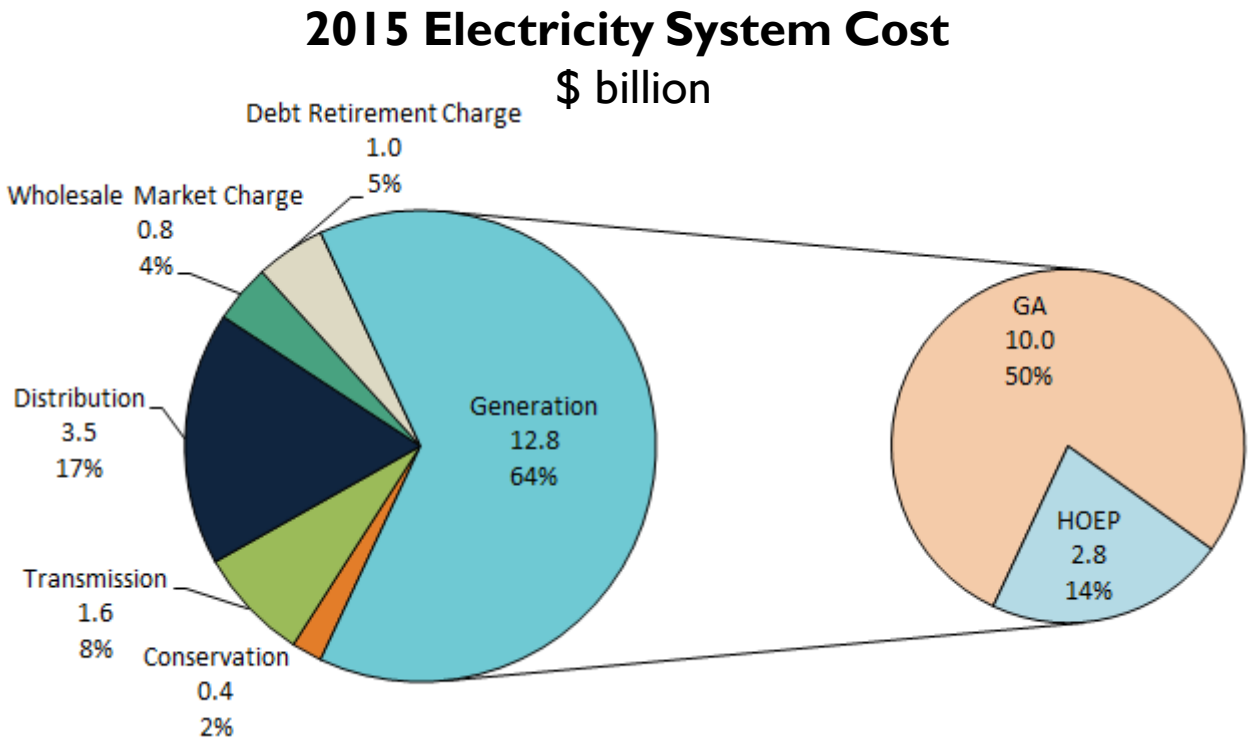
- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Appendix: Background

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

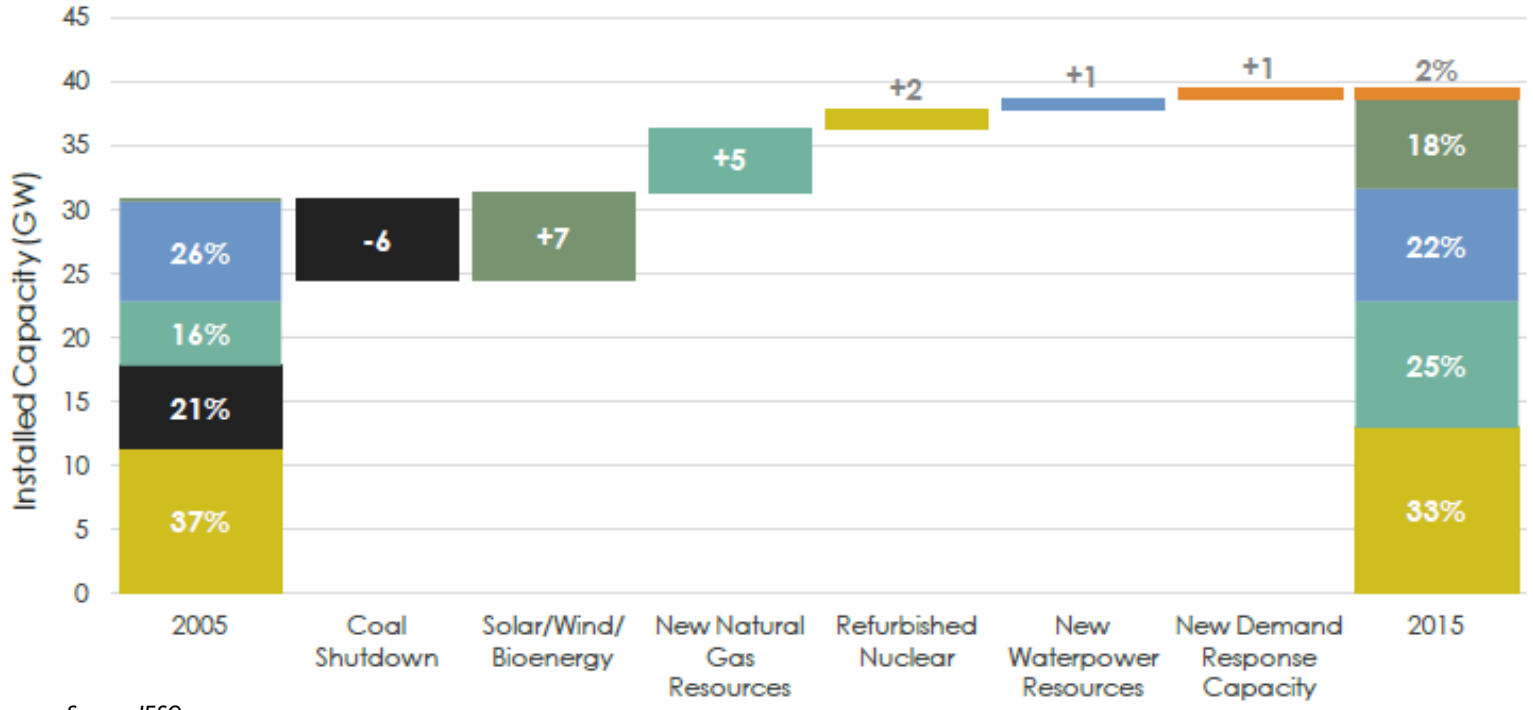
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

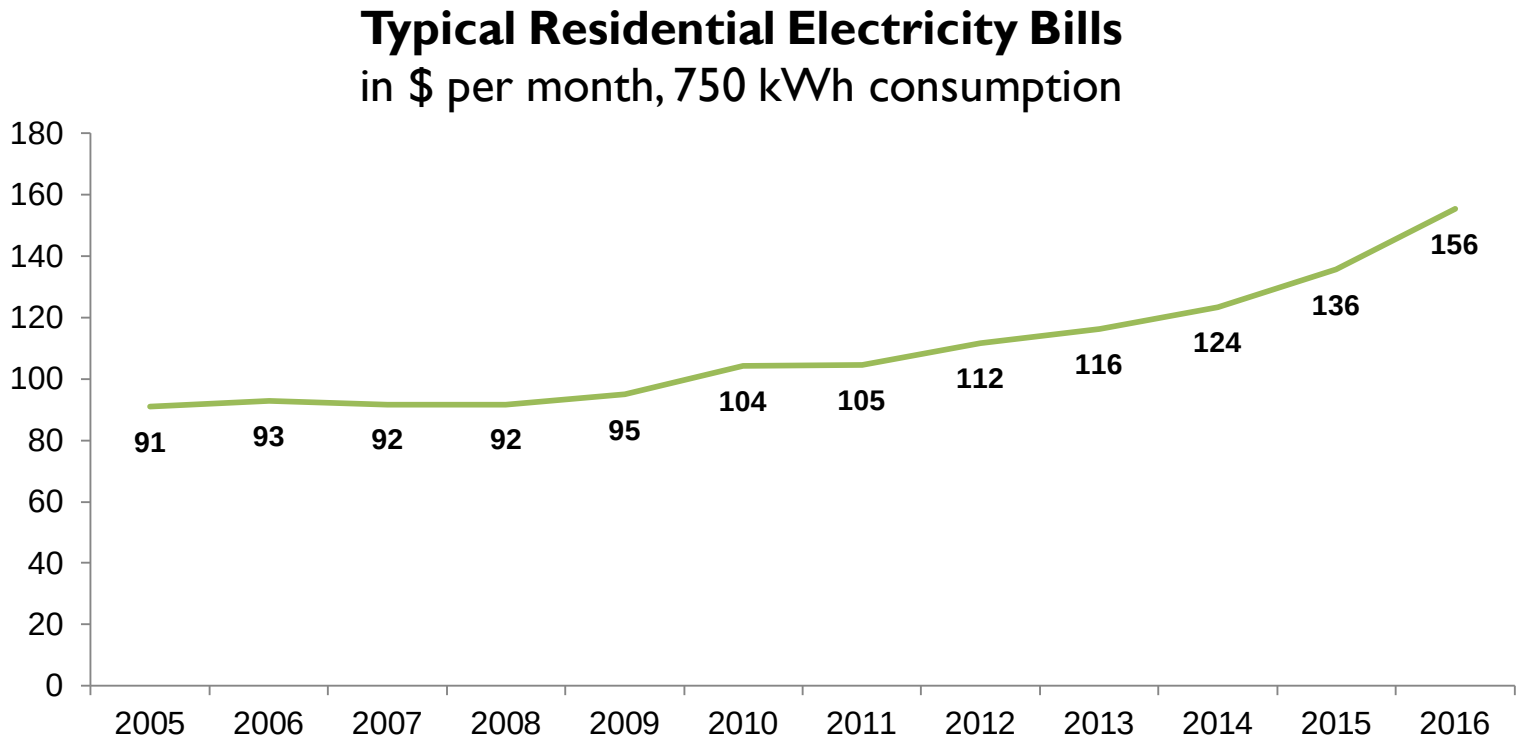
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From: Bruno Amara
To: Ronald Kwan
Cc: Gavin He
Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx
Date: Tuesday, June 27, 2017 4:56:05 PM

OK Thanks

From: Ronald Kwan
Sent: Tuesday, June 27, 2017 4:53 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Hi Bruno,

Thanks.

A suggested deletion on slide 15.

Ron

From: Bruno Amara
Sent: June 27, 2017 4:09 PM
To: Ronald Kwan
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Slide 11,

I made edits and replied to your comments/questions

Regarding bullet 3 on slide 11, Energy has following in their business case

The exact nature and scope of the risk to the Province of giving the Indemnities is undeterminable at this time, but the risk of liability for the Province arising may be low, with respect to directors, officers and employees, as any such risk may be mitigated by the following factors:

1) In the case of the IESO, the existence of a statutory immunity under subsection 19(1) of the *Electricity Act, 1998* may mitigate against a liability arising against its directors, officers and

employees, but does not eliminate such risk.

2) In the case of OPG, the proposed statutory immunity under subsection 39(1) of the *Act* may mitigate against a liability arising against its employees, but does not eliminate such risk.

3) The Indemnities are limited to claims arising in relation to the Protected Persons' respective roles in relation to implementing the ONFHP.

4) The Indemnities do not apply with respect to Losses for which coverage is provided under insurance or another indemnity, to the extent already paid under such insurance, or so indemnified under such indemnification in relation to the claims.

5) The Indemnities do not apply to Losses that are a result of the Protected Person's dishonesty, gross negligence or willful misconduct.

Slide 15: I will make that edit, given uncertainty around current cap proposal.

I did reach out to Kaitlin regarding updated dates. I have not yet heard back.

Thanks
Bruno

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To: Bruno Amara <Bruno.Amara@ofina.on.ca>
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Subject: Re: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

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Kaitlin may have updates to those dates, so please check with her.

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To: Ronald Kwan
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Subject: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

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From: Gavin He
To: Ronald Kwan
Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx
Date: Tuesday, June 27, 2017 4:48:50 PM

Hi Ron,

DMO would like to have the materials by 4:00 p.m. today, so just want to check in with you to see if we can provide a draft to them?

Thanks,
Gavin He

From: Bruno Amara
Sent: Tuesday, June 27, 2017 4:09 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
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Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx
Date: Tuesday, June 27, 2017 4:09:05 PM
Attachments: M - FHP Briefing (2017 06 27)_Markup2_v03.pptx

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Ontario's Fair Hydro Plan

Corporate and Electricity Finance Division

DRAFT: June 28, 2017

Contents

- Overview: Ontario's Fair Hydro Plan
- MOF-Related Outstanding Business Issues
  - Provincial Support Agreement
  - Indemnities to OPG and IESO
  - IESO Treasury Policy Amendments
  - Equity Injection
  - Performance Management Fees
  - PILs Exemption
- Appendix: GA Financing
  - GA Refinancing
  - Equity Injection
  - IESO increased credit facility
  - GA Financing: Illustrative Net Debt Impacts
- Appendix: Background on Ontario's Electricity Market

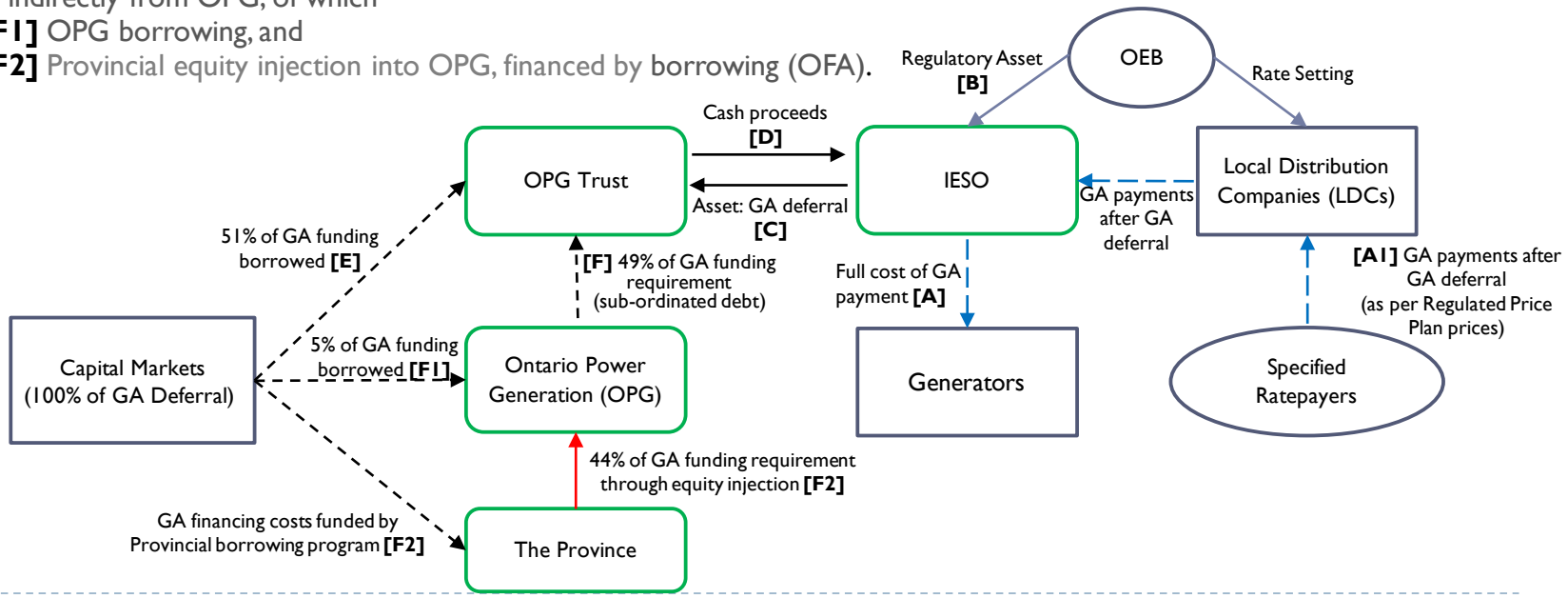
Overview:
Ontario's Fair Hydro Plan

Overview:
The Ontario Fair Hydro Plan ("OFHP")

- The Ontario Fair Hydro Plan Act, 2017, enables the implementation of the OFHP, which will lower electricity bills by 25 per cent on average for eligible residential customers. Eligible farms and small businesses will also receive benefits.
  - Implementation steps include regulations under the Act brought forward by the Ministry of Energy for approval.
- The measures that make up the 25 per cent average reduction include
  - Refinancing a portion of the Global Adjustment (GA) to allocate fairly the costs of Ontario's contracts for electricity infrastructure investments over the expected lifecycle of the generation infrastructure assets.
  - The Ontario Rebate for Electricity Consumers, for an amount equal to the provincial portion of the HST, which took effect on January 1, 2017.
  - Shifting funding of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from electricity ratepayers to the province.
- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs, OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.

GA Financial Structure

- Through the OFHP, GA costs, including refinancing costs, will be recovered from ratepayers over a longer period of time.
  - The GA refinancing framework will be implemented through the IESO and Ontario Power Generation (OPG).
  - Under the OFHP, OPG establishes a special purpose vehicle financing entities (e.g., OPG Trust) .
- **[A]** IESO continues to pay generators their contracted and regulated prices.
- **[A1]** LDC payments lower, as Regulated Price Plan prices set with a portion of GA deferred to support initial 25% reduction.
- **[B]** IESO sets up a deferral account, a 'regulatory asset', based on a right to recover in the future deferred costs and financing costs.
- **[C]** Under the Act, the IESO would be able to sell the 'right to collect' deferred future revenue from ratepayers to the financing entity in return for cash proceeds **[D]**.
- The funding for the financing entity would be raised from the capital markets:
  - **[E]** directly by the financing entity, and
  - **[F]** indirectly from OPG, of which
    - **[F1]** OPG borrowing, and
    - **[F2]** Provincial equity injection into OPG, financed by borrowing (OFA).



Risks / Cost Sensitivities

Global Adjustment Refinancing Model Assumptions

- Projected Global Adjustment Refinancing costs are affected by actual system costs and consumption, and actual interest rates.
- Variances from these key assumptions could affect actual refinancing costs, etc.

- Interest rates
  - Higher/lower Interest rates would lead to higher/lower refinancing costs
  - For example, a 1.5 percentage point lower interest rate assumption, compared to an illustrative 5% case used by the Ministry of Energy, would halve estimated cumulative interest costs, from about $21 bn to $11 bn.

- Electricity demand
  - Lower/higher electricity demand due to fewer consumers or lower/higher consumption among some consumers would increase/decrease Clean Energy Adjustment costs for remaining consumers.

- System Costs
  - Ministry of Energy is developing the updated Long-term Energy Plan (LTEP), expected to be released in about summer 2017. The LTEP is expected to include measures to continue to reduce system costs.
  - Actual system costs are expected to also be affected by other factors, such as the Ontario Energy Board rate application process.

MOF-Related Outstanding Issues

Provincial Support Agreement
[Ministers' Approval Item: Pending]

- The OFHP Act, s. 5, outlines certain protections and assurances to be provided by the Province, including agreements to be entered into by the Ministers of Energy and Finance with persons under the Act. These include
  - guarantees of, or undertakings by the Province to provide assurances to those with claims against the Financing Entity (with respect to debts, obligations, securities or undertakings associated with an investment interest), and to support credit ratings, and to outline undertakings by the Financing Entity and possibly the Province for satisfying funding obligations.
- A proposed Provincial Support Agreement is currently under discussion among Ministry of Energy, Ministry of Finance, OFA, external legal consultants and OPG.

Target Timing: End of July

Provincial Support Agreement (cont.)
[Ministers' Approval Item: Pending]

- The Province and OPG are working on a Provincial Support Agreement – a work-in-progress.
- There are three facets of a current draft proposed Provincial Support Agreement. Each of these would require Agreement/approval of Ministers of Energy and Finance:

1. Service Guarantee: Province to guarantee the performance of the IESO and electricity vendors under the Act including billing, collection and remittance of clean energy adjustments.
2. Indemnity: Provided by Province for Financing Entity against third party claims as a result of government amending or repealing the Act or court rulings adversely affecting the rights and interest of the Financing Entity. Indemnity applies only to direct government actions and would not cover, for instance, OPG activities
3. Avoidance of Mismatches: during a reference period, between Financing Entity funding obligations and amount available from investment interests: Outlines roles and expectations of Financing Entity to make efforts to arrange for commitments from market-based funding sources and, if unable to do so, possible Province funding commitments under terms and conditions, including appropriate compensation to the Province.

  - Under both the draft Service Guarantee and the Indemnity, the Service Guarantor (the Province) would have the option to satisfy obligations by "stepping in" and paying, when due, regularly scheduled amounts.
  - In both cases the Servicing Guarantor would not be obligated under any circumstances to pay consequential, special or punitive damages, or for economic loss or loss of profits.

- Note: Separation between the Province and OPG is necessary to maintain appropriate accounting treatment.

Indemnities Requested by OPG & IESO
(For Minister's s.28 Approval)

- The Ministry of Energy is proposing to provide, on behalf of the Province, certain indemnities as requested by OPG and IESO, and is asking, pursuant to Section 28 of the *Financial Administration Act* (FAA), that the Minister of Finance approve this request.
  - OPG and IESO are requesting that the Province indemnify the corporations (OPG and subsidiaries, not including a financing entity, and IESO), respective directors, officers and employees with respect to their roles in implementing the Ontario Fair Hydro Plan (OHFP).
    - A protected person would not be entitled to be indemnified in respect of losses for which coverage is provided elsewhere, including through insurance policies or existing statutory indemnities.
    - Indemnity would not cover a protected person losses that are the result of such protected person's dishonesty, gross negligence or willful misconduct.
- In implementing the OFHP, OPG and the IESO expect to carry out activities that fall outside the scope of their pre-OFHP business activities and corporate mandate. They believe this could subject them to the risk of claims that they are not acting in the best interest of the corporation or in "good faith" with respect to their obligations to their respective corporations.
- The Indemnity Agreements extend to the OPG and the IESO as corporations, beyond the more normal practice of indemnifying directors, officers and employees; and also extends to subsidiaries of the OPG, excluding financing entities under the OFHP Act.
- The Indemnity Agreements include a waiver of claims with respect to indemnitees who are individuals by the Province as shareholder, meaning that except for gross negligence, dishonesty and wilful misconduct, the Province cannot bring an action against an indemnified individual.
- Ministry of Energy notes that in the event that an indemnity claim does arise and a payment is required, the Ministry would be unlikely to be able to support these payments from a current allocation and would need to return to TB/MBC for an adjustment to its allocations.

Indemnity (cont'd)
(For Minister's s.28 Approval)

- Ministry of Finance staff recommend approval of the s.28 request.
  - Ministry of Energy indicates that the Indemnities have been requested by the companies, supporting the implementation of the OFHP.
  - Both the IESO and OPG have specifically asked for these Indemnities in order to allow them to carry out their roles in implementing the ONFHP
  - The Ministry of Energy states that the risk of the Province providing the Indemnities is undeterminable at this time, due to uncertainty around possible claims under the Indemnities. Ministry of Energy notes, however, that the risk is mitigated by the existence of statutory immunities under the *Electricity Act, 1998,* for IESO, and under the *OFHP Act, for OPG,* pre-existing protection for director, officers and employees under insurance and, the limitation of indemnity to claims arising from IESO's and OPG's respective roles in implementing the OFHP.

Target Timing: End of June

IESO Treasury Policy
(For Minister's Approval)

- As prescribed under Regulation 280/14 under the *Electricity Act, 1998,* the IESO is required to maintain investment, borrowing and financial management policies and procedures.

- As required under the Regulation, the IESO has submitted a revised IESO Treasury Policy for Minister of Finance approval.

- The revised IESO Treasury Policy incorporates the following two changes:
  1. Permit borrowings to ensure funding of any amounts resulting from or required under the *Ontario Fair Hydro Plan Act, 2017.*
  2. Increase counterparty exposure to Schedule A Canadian Banks from the current $420million to $500 million, an increase of $80 million exposure per counterparty.
     - This ensures that the IESO has flexibility to efficiently manage its cash accounts as evolving business requires IESO to manage higher cash flows and seek appropriate short-term investments.

- OFA staff have reviewed and have no concerns with the requested changes.

Target Timing: End of June

Equity Injection – Key Proposed Terms

OFA to Support under a Service Level Agreement

The terms for the Equity Injection are set out in the Fair Hydro Plan – Master Subscription Agreement Term Sheet.

- The Province agrees to inject (monthly, as required) 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Ministry of Energy (as Shareholder) will seek appropriation on an annual basis through PRRT.
- OPG agrees to use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend articles of incorporation to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option.
- Ministry of Energy and OFA would, as proposed, have a service level agreement in place providing authority for OFA to provide cash management services to facilitate share purchases on an ongoing basis on behalf of the Ministry of Energy, subject to the approved PRRT amount and 44% share.

Target Timing: End of July

Equity Injection:
Subordinated Debt from OPG

- OPG will lend 49% of the GA asset to the Fair Hydro Trust as subordinated debt
  - OPG will use the Province's Equity injection of 44% of the GA asset
  - OPG will issue to investors an amount equal to 5% of the GA asset
- There will be one or more mezzanine levels of subordinated debt
  - Each mezzanine level of debt will have a different spread over Government of Canada bonds
- The Province's fiscal impact is expected to be minimized
  - Province will have an increase in interest expense arising from issuing long-term debt to finance the equity injection
  - OPG will have increased income from the subordinated debt interest
- The OFA is currently reviewing OPG's subordinated debt interest proposal and will provide comments to OPG once more discussions have taken place with Ministry of Energy staff

Target Timing: End of July (TBC)

Performance 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 (s. 19.3) allows OPG to establish and charge a management fee for those services in accordance with the regulations, which are currently in development.
- There are two components to the model proposed by OPG:
  - Base fee: the structure will allow OPG to earn a commercial fee, an accounting consolidation requirement, with periodic OEB review of the commercial basis of that fee. OEB and OPG are in discussions in order to develop a model that satisfies the accounting requirements and is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to gain or lose depending on the actual financing cost relative to a benchmark, which would be shared equally between ratepayers and OPG. Gain/loss is capped (TBD) ~~at the benchmark weighted average rate +/- 1%.~~
- MOF (OFA) and Ministry of Energy are currently reviewing OPG's performance management fee proposal. [who approves?]

Payment in Lieu of Taxes Exemption
(Minister's Approval Item: Minister's Reg.)

- Request from OPG – and supported by ENERGY is a PILs exemption for the income arising from the OPG financing vehicle/OPG as a consequence of the Fair Hydro Plan.
  - With no PILs exemption, ratepayers will bear the cost of PILs through the rate base.
  - OPG has sought a broad comprehensive PILs exemption for a variety of potential financing structures including corporations, trusts or partnerships.

- The PILs regulations under the Electricity Act are under the purview of the Minister of Finance.

- TPD recommends [TBC] a regulatory exemption for each specific financing entity structure, once the structure is determined. A blanket exemption would create significant risks to provincial revenue and require a number of complex conditions to minimize the potential for precedents and tax avoidance.

- TPD proposes bringing forward for approval the required regulation(s) once OPG advises on each specific financing entity structure and any anticipated future structures or changes to the structure.
  - OPG has raised questions on the timeliness of response for a new regulation, as OPG special purpose vehicles for financing may be put together quickly to respond to different markets and market conditions

Target Timing: By August/September

Appendix: OFHP Additional Measures / GA Financial Flows & MOF / OFA Roles

The Ontario Fair Hydro Plan: Additional Measures

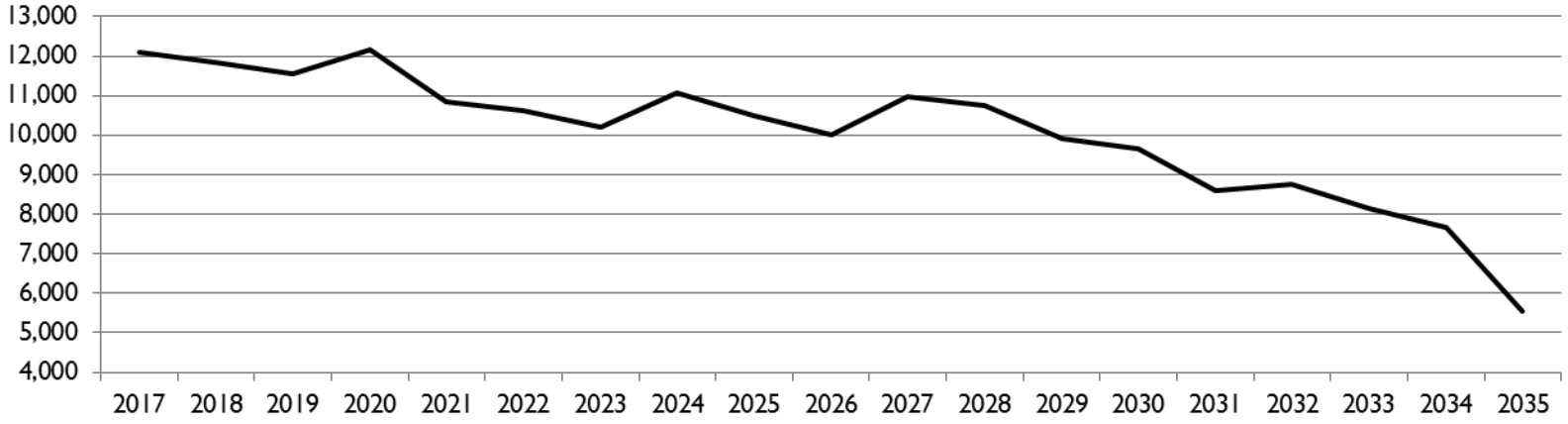
- In addition to the 25% bill reduction, on average, for residential customers, other measures that make up the Fair Hydro Plan include
  - Expanding the Industrial Conservation Initiative (ICI) to include electricity consumers, in the manufacturing and certain other sectors including greenhouses, with an average monthly peak demand of greater than 500 kW and less than 1 MW.
  - Expanding the OESP, by providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.
  - Establishing an Affordability Fund that will be accessible to LDCs for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
  - Providing on-reserve First Nations households with a 100 per cent credit of the delivery line on their monthly electricity bills.
  - Enhancing the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to about 800,000 customers and shift costs from ratepayers to provincial revenues. This would include customers served by local distribution companies (LDCs) with the highest rates.
  - Improving energy sector efficiency and modernize the province's electricity market, building on the collaboration of the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).
- The government-funded measures (OESP, RRRP, on-reserve credits and the Affordability Fund) have been communicated to cost the government about $2.5 billion in the first three years (and would have an on-going annual cost to government). (Note: Actual amounts in the 2017 Budget fiscal plan is a little less, due to partial year implementation in 2017-18).

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) provides significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
- Under forecasts provided by the Ministry of Energy at the time of the OFHP announcement in March, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years.
- This measure would share the associated costs more fairly. The illustrative chart below shows how Global Adjustment (GA) cost is front-end loaded and forecast to decline over time.

NOTE: Energy and IESO forecasts are subject to update, including as part of the Ministry of Energy's current Long-term Energy Plan update process.

Forecast Global Adjustment Cost (nominal $ million)



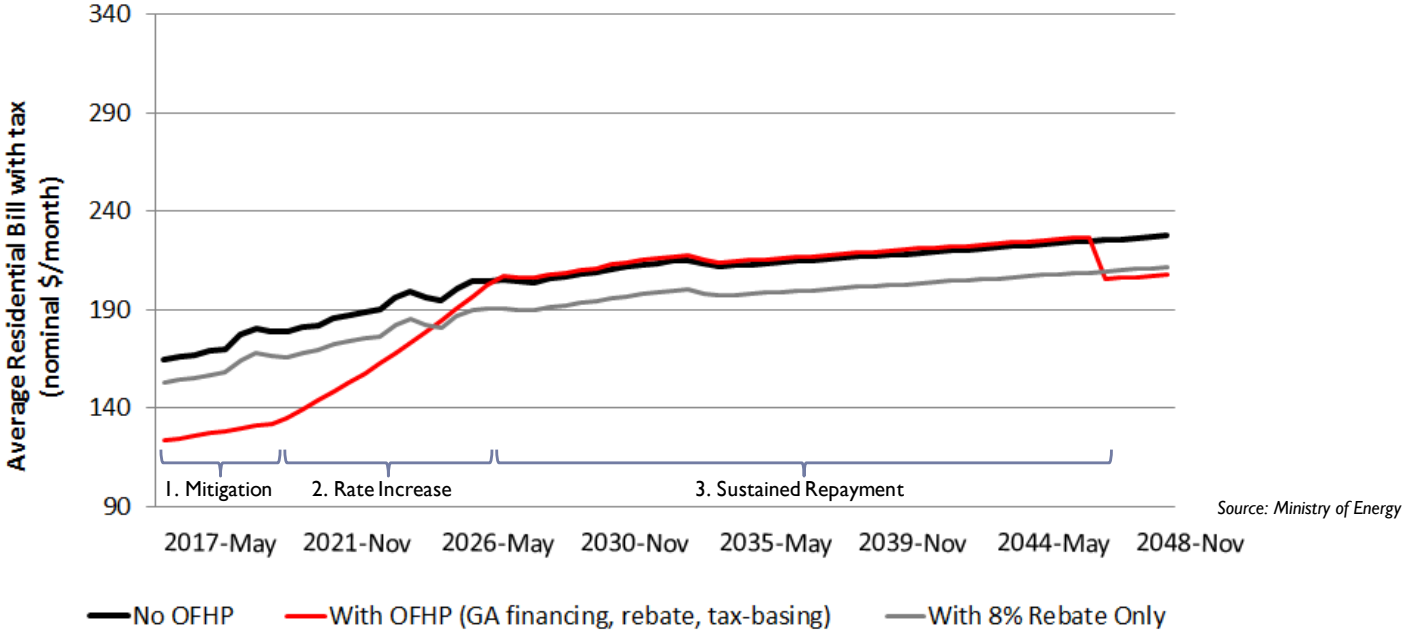
Source: IESO

Global Adjustment Financing: Policy Rationale

- The purpose of the Global Adjustment refinancing is to
  - Ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers
  - Recognize that clean energy benefits have accrued and will accrue over time and will continue to benefit present and future electricity consumers in the Province, and
  - Align clean energy costs with clean energy benefits, in order to provide fairness for specified consumers over time.
- The majority of the province's electricity generators are under 20-year contracts. Many of these generators will be able to operate past their contract term.
- By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.
- In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on electricity ratepayers.
- In the later years, when some system costs are expected to be reduced due to continued operation of existing assets under 20-year contracts, the deferred amounts and cost of financing would be recovered from ratepayers through a "Clean Energy Adjustment".

Global Adjustment Financing

- GA Financing structure and bill impacts can be thought of as having three phases (see illustrative chart below)



Source: Ministry of Energy

Phase 1: Mitigation

- 2017 residential bill 25% on average lower than original projection (pre-8% Ontario Rebate for Electricity Consumers).
- Increase in bill capped to 2% per year until 2021.

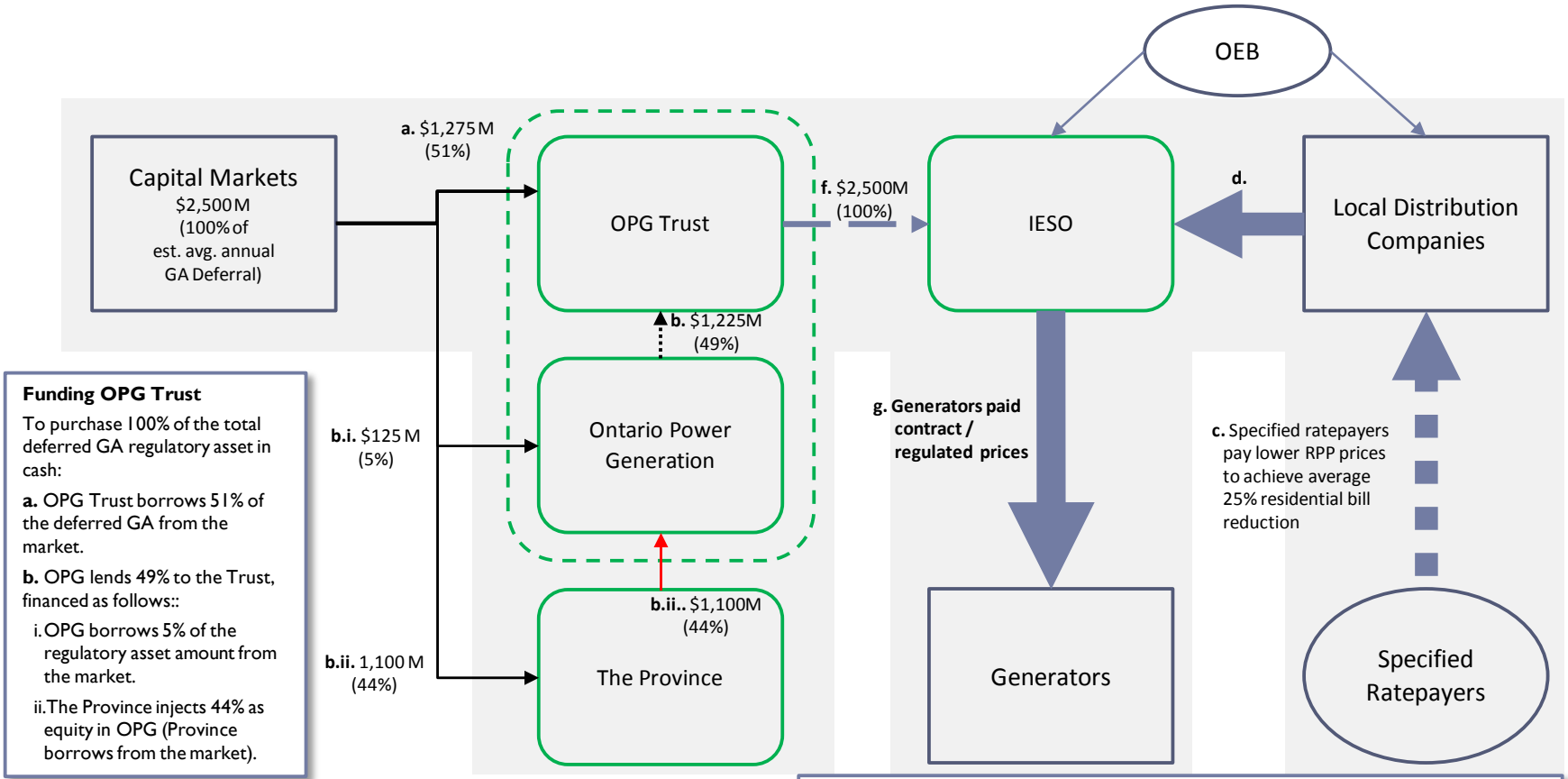
Phase 2: Rate Increase

- Residential bills continue lower than without the OFHP; however, not by 25% on average.
- Bill increases each year, limiting overall deferral and borrowing.
- Planned increases for the above purpose projected to end in 2028 when sustained repayment starts.

Phase 3: Sustained Repayment

- Bill higher than projection, excluding the GA deferral, until 2047 (estimated).
- Difference between with OFHP (red) and 8% rebate (grey) only represents recovery of deferred GA and financing.

GA Financing Structure: Illustrative Fund Flows* - Mitigation Phase



Funding OPG Trust

To purchase 100% of the total deferred GA regulatory asset in cash:

a. OPG Trust borrows 51% of the deferred GA from the market.

b. OPG lends 49% to the Trust, financed as follows::

i. OPG borrows 5% of the regulatory asset amount from the market.

ii. The Province injects 44% as equity in OPG (Province borrows from the market).

Deferral Mechanism

c. Specified ratepayers pay RPP prices, including the non-deferred portion of the GA to LDCs.

d. The LDCs remit this amount to the IESO ...

e. …The IESO recognizes a regulatory asset – the right to collect the deferred amount, and a financing cost, from ratepayers in the future.

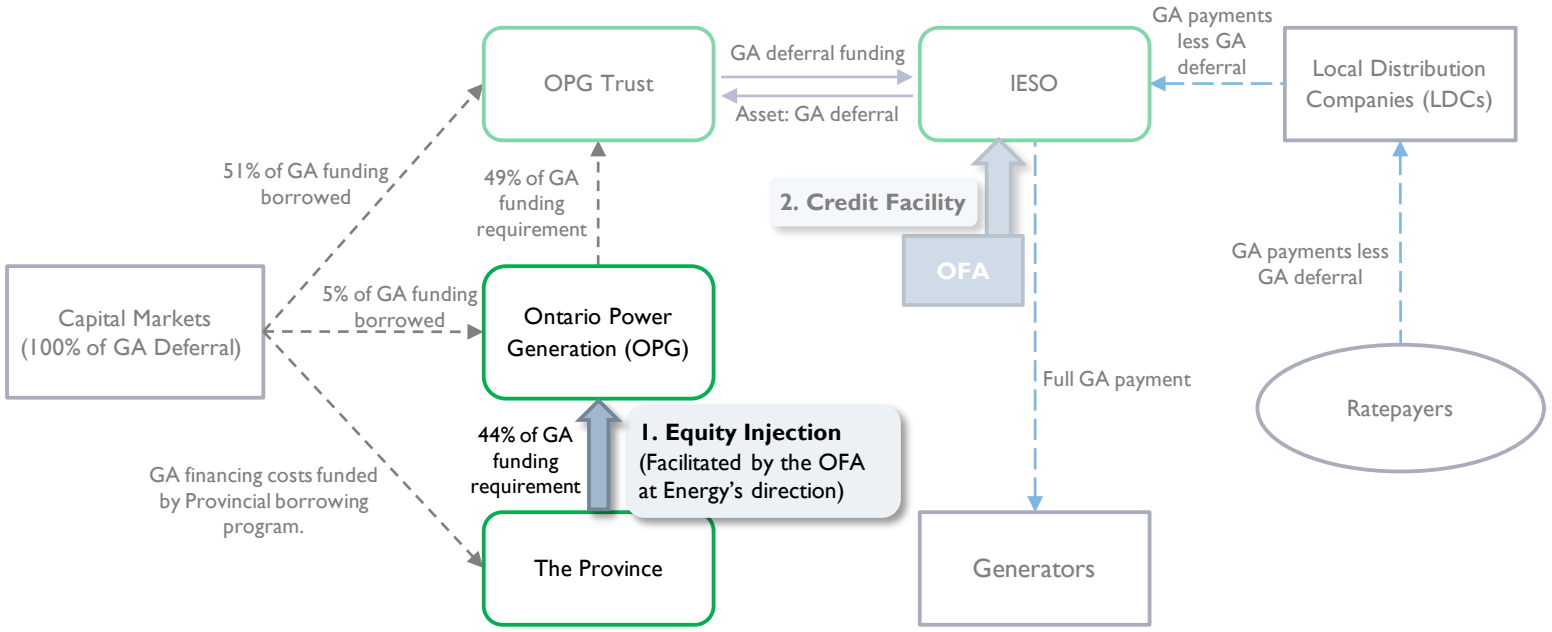
f. IESO sells this asset for cash to OPG Trust.

g. IESO uses the proceeds from the sale of the regulatory asset and the collection amount from LDCs to pay the full amount of the GA cost to Generators (and conservation costs).

* Amounts are illustrative and based on an assumed deferred cost, or regulatory of $2.5 billion.

Equity Injection

- The 2017 Budget includes in the Ministry of Energy Estimates an investment operating asset of $1.1 bn related to the Province's equity injection to OPG. OPG would provide financing to the Trust through sub-ordinated debt, as part of the OPG Trust financing to regularly purchase IESO's regulatory asset through 2017-18.
- The structure would
  - increase gross debt of the Province (to finance the equity injection in OPG),
  - increase net investment in OPG (so no net debt impact),
  - increase interest on debt related to that external debt, which
  - on consolidation into Public Accounts, would be offset by increased earnings of OPG from sub-debt interest revenue.



GA Financing: Illustrative Net Debt Impacts

Province of Ontario - Consolidated Statement of Financial Position

As at March 31, 2016 ($ Millions)		**GA Financing Impacts Est. Average Annual**
Liabilities		
Accounts Payable and Accrued Liabilities (Schedule 5)	19,361	
Debt (Note 2)	327,413	**1,100**
Other Long-Term Financing (Note 4)	14,145	
Deferred Revenue and Capital Contributions (Note 5)	10,779	
Pensions and Other Employee Future Benefits (Note 6)	12,107	
Other Liabilities (Note 7)	4,905	
	388,710	
Financial Assets		
Cash and Cash Equivalents	13,600	
Investments (Note 8)	21,765	
Accounts Receivable (Schedule 6)	11,059	
Loans Receivable (Schedule 7)	11,545	
Other Assets	1,936	
Investment in Government Business Enterprises (Schedule 9)	23,572	**1,100**
	83,477	
Net Debt	(305,233)	**0**
Non-Financial Assets		
Tangible Capital Assets (Note 9)	102,536	
Accumulated Deficit	(202,697)	

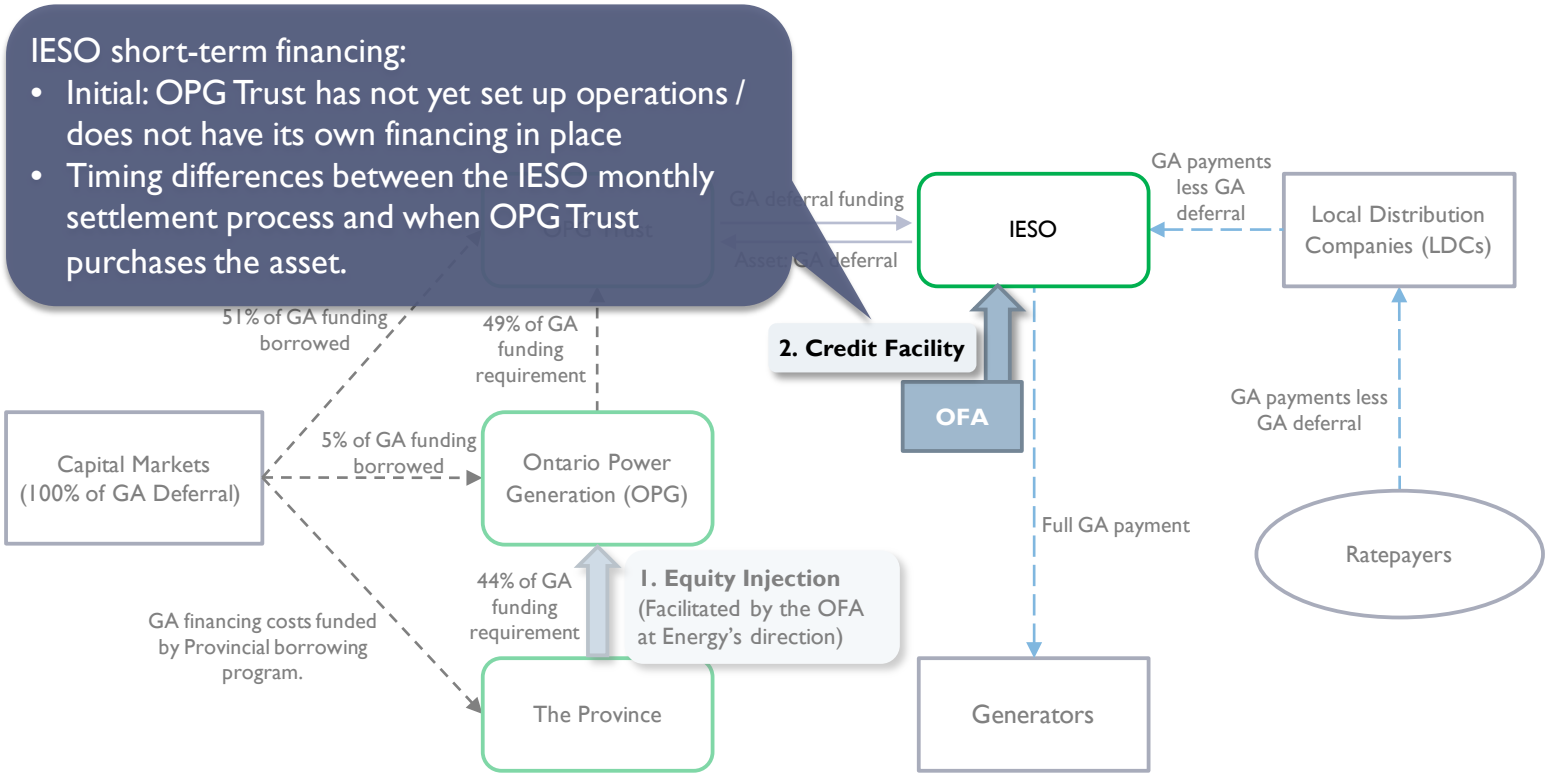
- Increased borrowing required to fund equity injections.
- Provincial debt will increase.

- Equity injections increase investment in OPG

- Offsetting impacts lead to zero net debt impact

OFA/IESO Credit Facility

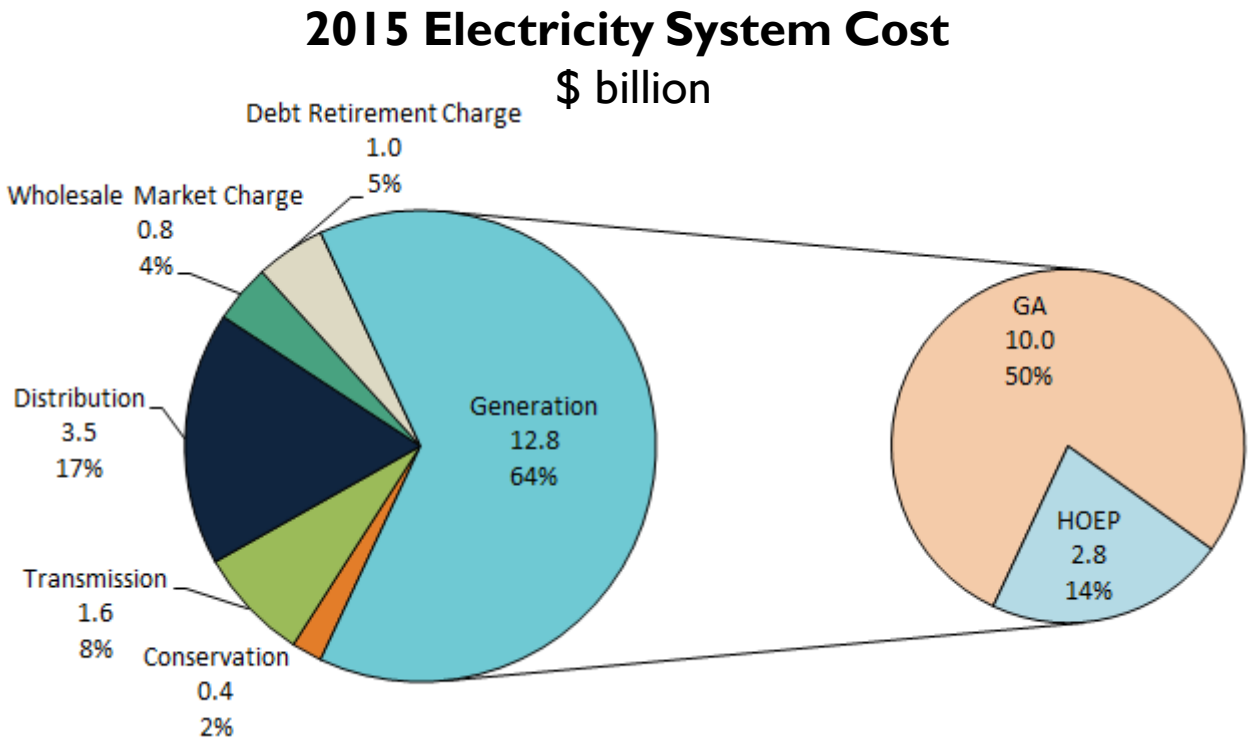
- The Fair Hydro Act, 2017 provides for the IESO to sell the right to recover those deferred amounts of the global adjustment from specified consumers in the future (the "regulatory asset").
- It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG Trust"). The cash received would be used by the IESO to fund the current Global Adjustment deferral shortfall.



Appendix: Background

Context: Ontario's Electricity Market

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were $20 billion.



DEFINITIONS:

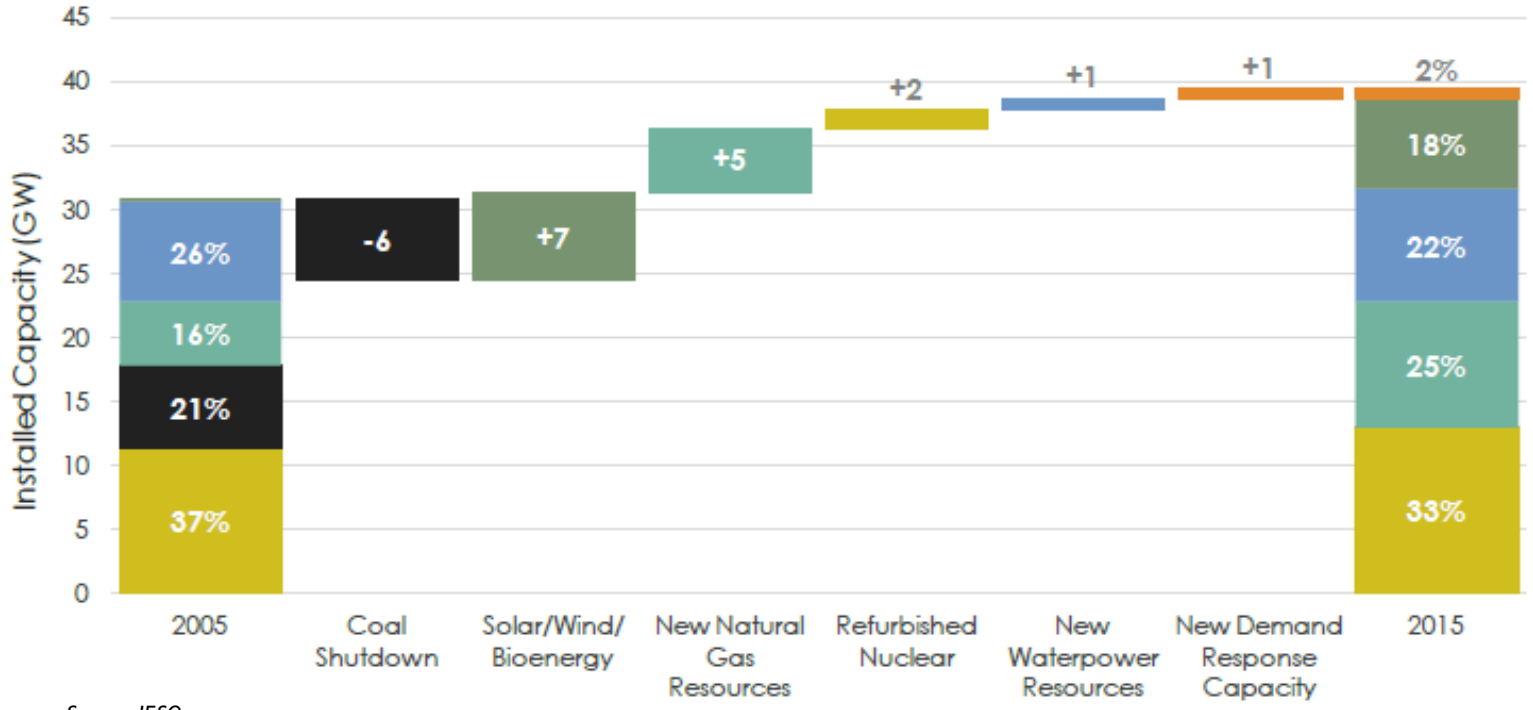
GA: The "Global Adjustment" accounts for differences between the market price of electricity and the rates paid to regulated and contracted generators and for conservations programs. The GA is collected from all electricity rates payers in Ontario

HOEP: Hourly Ontario Electricity Price.

Source: IESO

Context: Significant Change in Supply Mix

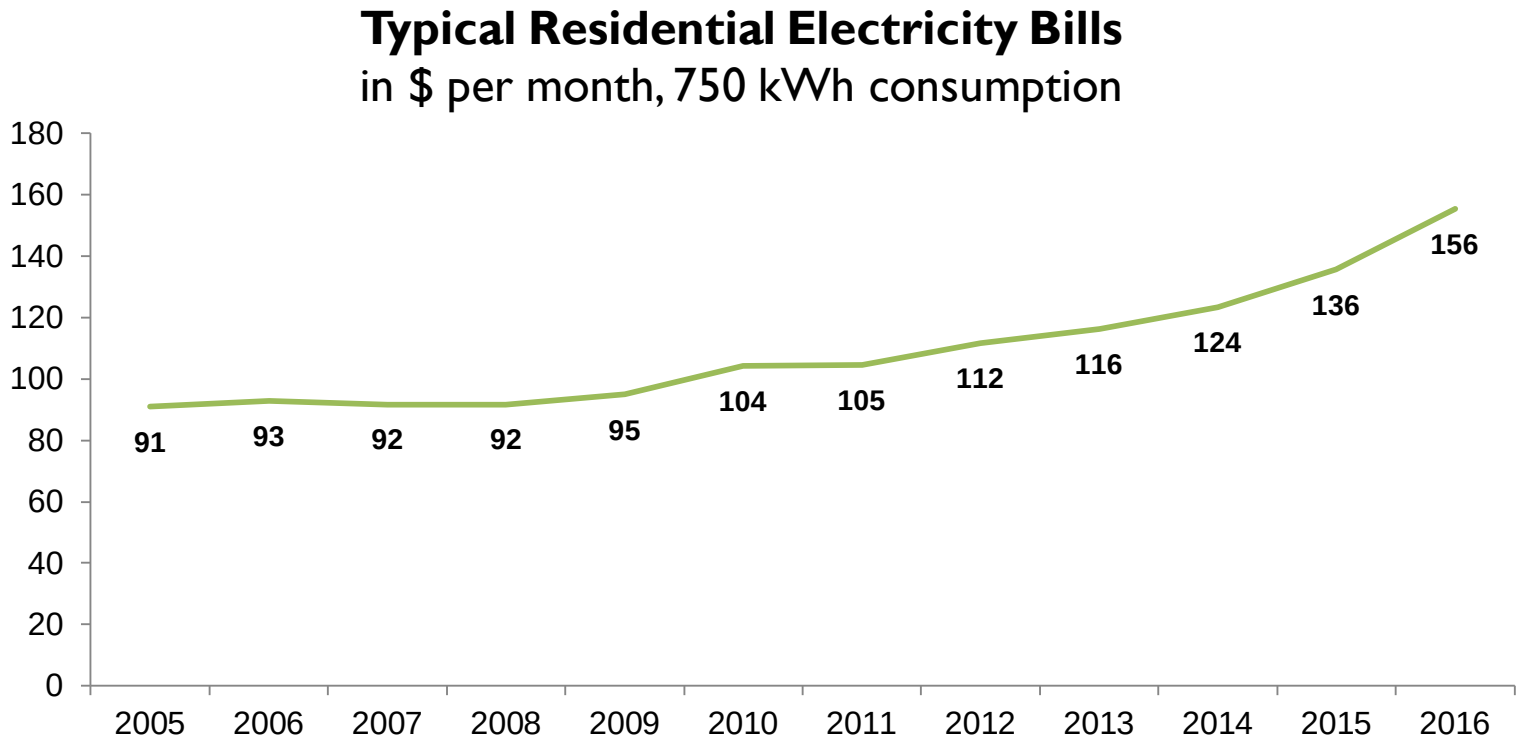
- Between 2005 and 2015, government invested more than $50 billion in the electricity system, including $35 billion in electricity generation to restore reliability, replace coal and meet environmental objectives.
  - Electricity costs are increasing as necessary investments are made to decarbonize and modernize the province's electricity infrastructure.



Source: IESO

Context: Electricity Prices Have Increased

- Since 2010, electricity prices have increased at a rate higher than the Consumer Price Index (CPI).



Source: Ministry of Energy

From: Gavin He
To: Ronald Kwan
Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx
Date: Tuesday, June 27, 2017 5:05:50 PM

Hi Ron,

I know that TPD would like to see a copy as well, so is it okay to send them a copy too?

Thanks,
Gavin He

From: Ronald Kwan
Sent: Tuesday, June 27, 2017 5:00 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Thanks Bruno.

Gavin, please send a clean copy to Jonathan, noting that it is draft and there may be further refinements.

Ron

From: Bruno Amara
Sent: June 27, 2017 4:56 PM
To: Ronald Kwan
Cc: Gavin He
Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

OK Thanks

From: Ronald Kwan
Sent: Tuesday, June 27, 2017 4:53 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Hi Bruno,

Thanks.

A suggested deletion on slide 15.

Ron

From: Bruno Amara
Sent: June 27, 2017 4:09 PM
To: Ronald Kwan
Cc: Gavin He
Subject: RE: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Hi Ron

Slide 11,

I made edits and replied to your comments/questions

Regarding bullet 3 on slide 11, Energy has following in their business case

The exact nature and scope of the risk to the Province of giving the Indemnities is undeterminable at this time, but the risk of liability for the Province arising may be low, with respect to directors, officers and employees, as any such risk may be mitigated by the following factors:

1) In the case of the IESO, the existence of a statutory immunity under subsection 19(1) of the *Electricity Act, 1998* may mitigate against a liability arising against its directors, officers and employees, but does not eliminate such risk.

2) In the case of OPG, the proposed statutory immunity under subsection 39(1) of the *Act* may mitigate against a liability arising against its employees, but does not eliminate such risk.

3) The Indemnities are limited to claims arising in relation to the Protected Persons' respective roles in relation to implementing the ONFHP.

4) The Indemnities do not apply with respect to Losses for which coverage is provided under insurance or another indemnity, to the extent already paid under such insurance, or so indemnified under such indemnification in relation to the claims.

5) The Indemnities do not apply to Losses that are a result of the Protected Person's dishonesty, gross negligence or willful misconduct.

Slide 15: I will make that edit, given uncertainty around current cap proposal.

I did reach out to Kaitlin regarding updated dates. I have not yet heard back.

Thanks
Bruno

From: Ronald Kwan
Sent: Tuesday, June 27, 2017 1:49 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Hi Bruno,

I put in the dates from EIGS Outstanding Business Issues document from last week.

Kaitlin may have updates to those dates, so please check with her.

I dropped one sub-heading slide.

I had a query on wording too on slide 11.

Ron

From: Bruno Amara
Sent: June 27, 2017 1:24:05 PM
To: Ronald Kwan
Cc: Gavin He
Subject: M - FHP Briefing (2017 06 27)_Markup_v02.pptx

Ron

Slide 11 revised per comments from legal. They thought these two pts more relevant than previous about statutory protections

Slide 16: Carlos thought it was +/- $1M, rather than +/- 1%. I thought +/-$1M was an earlier draft,

but I have not been close to those discussions so perhaps we TBD for now.

I haven’t had success yet in getting expected timing for other decisions.

Bruno

From:	Usman Zahid
To:	Ronald Kwan
Subject:	RE: MO Bi-Weekly Agenda
Date:	Friday, December 22, 2017 2:05:24 PM
Attachments:	Annotated Agenda MO Bi-Weekly Dec 20_Markup6.docx

Hi Ron,

Attached is the updated markup.

Usman

From: Ronald Kwan
Sent: Friday, December 22, 2017 12:56 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Usman,

See attached.

Ron

From: Usman Zahid
Sent: December-20-17 11:05 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Ron,

Sorry, one more updated. EFB has adjusted the language in item 1 to reflect the execution of the first equity injection.

Regards,
Usman

From: Usman Zahid
Sent: Wednesday, December 20, 2017 10:58 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Ron,

SPFB has added language on CLFN contacting ENERGY regarding the TPA. Attached is an updated markup and a clean version.

Regards,
Usman

From: Ronald Kwan
Sent: Wednesday, December 20, 2017 9:50 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Re: MO Bi-Weekly Agenda

Hi,

Let's get a version that we can send to Marianne.

Thanks,
Ron

From: Ronald Kwan
Sent: December 19, 2017 7:13 PM
To: Usman Zahid
Subject: RE: MO Bi-Weekly Agenda

Hi Usman,

Some suggestions.

Ron

From: Usman Zahid
Sent: December-18-17 17:49
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the Agenda for Wednesday's potential (if it's not cancelled) MO bi-weekly. Also, a reminder that Marianne wants to discuss Zubacorp in the bi-weekly as well (see attached email).

Regards,
Usman

STAFF DRAFT IV. & ASSET OPTIMIZATION INITIATIVES UPDATE

1. **$1.4 Capex net of the equity injection for GA deferral – FY-End**

- GSB- has signed an MOU with the Attorney will hang- regarding the payment.
- Ontario Power Generation Inc. (OPG) has signed an MOU with the province on behalf of the Ministry will hang-

- On December 30, 2012, the Ministry will hang- provided a copy of the signed Share Subscription Term to July 2015. The term agreement [illegible] 2012 [illegible] Subscription Term to July 2015. The term agreement [illegible] 2012 [illegible] Province [illegible] [illegible] [illegible] [illegible] through the equity injections in [illegible] [illegible] [illegible] [illegible]

- The Crimson Energy Board voting on the sale application at [redacted] on [redacted]
- [redacted]
- [redacted]
-

team prepared to present to the affected NoCAs and to solicit NoCA views / choice of option

A. ISO/RTO

- Implementation challenges
- Level of operational coordination required by the ISO/RTO to effectively run system
- Cost to implement changes

B. NoCAs

- Level of coordination with ISO/RTO required
- Impact on NoCA resource planning (e.g., how will the procurement process change?)
- Impact on NoCA resource adequacy (e.g., how will the ELCC methodology change?)
- Impact on NoCA resource operations (e.g., how will the dispatch process change?)

Commented [CS1R]: Will it require the same level of operational coordination, or additional, than what we have in the current process?

C. Commerce Lake Prioritization (CLPA) Meeting

1. On November 20, 2021, the Company met with CLPA and its advisors, as well as CEO, to discuss:
   - CLPA discussed its position on the generation static and noted that it would like to see a more dynamic approach to the issue, like was in discussions with ENERGY-X.
   - CLPA also requested capacity funding.
   - Ernest Borrow as represented and is satisfied that it has sufficient support, having received letters of support. The recent purchase agreement would be effectively for the benefit of CLPA.
2. The CEOs of ENERGY- and MEST have had a conversation about capacity funding and agreed to expenses on the part of MEST in looking into providing capacity funding.
   - CEO and E-energy staff are in discussions. Proposal under discussion would be for E-energy to provide funding to MEST for the ELCC study, and in return, the CEOs would receive the proposed budget and submitted materials.
   - [Check with Jane on proposed ELCC study budget and submitted materials. Do CEOs have them?]
   - [Check with Jane on whether ELCC study is a dual PUC matter. Is it anticipated to be intervenor funded?]
3. Staff for MEST also had two phone calls with CLPA and its advisors to discuss some of the issues raised in the CLPA meeting. Staff reported that [what did they report?]
4. On December 3, 2021, CLPA sent a letter to the Company and the Commission requesting [what did they request?]
   - CLPA asked [what?] a draft framework agreement and staff [what?] provided comments on December 6, 2021. CLPA will come back [when?] [comments on the suggested changes] [what are the next steps?]

- The proposed overview of the points raised in the draft agreements sent by us, credit consensus on the financial areas of the facility will be formulated, setting out [redacted] [redacted] [redacted] benefits to CLPA.
- Many risks exist, and a number of [redacted] will be set out in any terms of reference for the Consultant, which CLPA considers will be of significant value over the lifetime of the [redacted].
- Some options may have an impact on the rate paid to the Engagement NGO.

s.19(1)(b) s13,s21

Ministerial Lending Directive - OCS: Loan to OCRC

- The Cannabis Exemption is seeking a loan of up to $600M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set-up costs. [Loan ordinance](#) [Cannabis Retail Corporation Act, 2017, S.O. 2017, c. 26, Sched. 2.](#)
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Before the OCRC can receive funding from the OCS, MEIA will prepare a ministerial Lending Directive authorizing it to make the loan.
- In addition, ELA section 24 approval by the Minister of Finance will be required.
- Agreement in principle on section 24 was negated in the ready for the Minister's approval memo for release.
  - Following these approvals, the loan agreement would be finalized for execution by the OCS and OCRC.

Loans to the Workers' Compensation Appeals Tribunal (WSIAT) on 4/4/2019

- OSR has approached MEIA,TC and OCS, on plausible basis from the COVID Fund to co-finance the making of third person plan with WSIAT. [Loan ordinance](#) [Workplace Safety and Insurance Appeals Tribunal Act, 1997, S.O. 1997, c. 16, Sched. B](#) will not be required till January 1, 2021.[s13(1)] Talks have made a considerable progress and the following is the status:
  - Estimated loan amount is $10.5 million for a term of 25 years.
  - OFA has drafted a preliminary term sheet.
  - OSR has not yet provided financial details or business case to support their loan request.
- The MEIA,TC Minister will write to the Minister of Finance requesting the LDs.
- Minister of Finance Lending Directive will be needed for the OCS, to make the loan.
  - The s.26 approval from Minister of Finance will also be required.

From: Usman Zahid
To: Ronald Kwan
Subject: RE: MO Bi-Weekly Agenda
Date: Monday, November 06, 2017 7:03:04 PM
Attachments: Annotated Agenda MO Bi-Weekly Nov 6 2017_Markup4.docx

---

Hi Ron,

Attached is the updated markup.

Regards,
Usman

From: Ronald Kwan
Sent: Monday, November 06, 2017 5:46 PM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Usman,

The sentence should be restructured then. It could indicate that the Cannabis Secretariat is seeking the loan for the OCRC, for example, because it is needed to meet the policy approved.

Thanks,
Ron

From: Usman Zahid
Sent: November-06-17 17:41
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Ron,

Attached is the updated markup. Mara has changed the first bullet back to her original language. She has noted that the OCRC does not exist yet as such it would be incorrect to state that it "is seeking". The OCRC should be established by late December.

Regards,
Usman

From: Ronald Kwan
Sent: Monday, November 06, 2017 3:33 PM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Usman,

Some suggestions.

Ron

From: Usman Zahid
Sent: November-06-17 09:59
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the proposed MO Bi-Weekly Agenda for tomorrow's meeting.

Regards,
Usman

ARBOR CREEK ASPIRIA
MID-CAP BLUE - Account No. 7-2047

STATIC TRACTY & ASSET OPTIMIZATION REVISED ISSUES

1. **$12.5 Credit Facility.**
   - The existing $8.75 million facility is currently more than $300 million drawn.
   - Upon the new agreement, the facility is post-close, the $8.75 million facility is to be reduced to $300 million.
2. Total [redacted] of the latest agreement, which includes a commitment fee of [redacted] across closing and process, and the credit agreement [redacted]

[redacted]

- Governor DOE have walked a careful line on the Montana CO2 ruling to the Minister of Finance that would provide support for a directive from the Minister of Energy to the CER to direct Enbridge Pipelines to build the Line 5 tunnel to support CO2. Without us their view, and options to avoid such impacts, if that is the outcome afterward is [redacted]
  - [redacted] Minister of Energy wanted to fill Energy at a staff level and based on feedback from Energy, a new draft has been prepared.
  - The [redacted] that the Union focuses on the [redacted] and that [redacted] [redacted] [redacted]

OTHER REGARD

- Question #8 a change for DRDO code of conduct
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

Item 1 Loan Program for Emerging Retrofit Projects at Colleges and Universities

- MAETDO has been asked to provide a comfort letter signed by the Minister indicating MAETDC has committed to backstop the loan program and to show evidence of the backstop agreement between MAETDC and CIDL. A draft agreement between MAETDC and CIDL outlining duties and responsibilities for these loans, is currently being reviewed by MAETDC legal.
- MAETDC's ongoing verbal to Rob is to make borrowers specific to this program as some of the projects will not meet the materiality threshold amounts set out in the current borrowing resolution approved.
- MAETDC legal have provided drafting instructions to Legislative Counsel.
- Ministerial approval of the joint MAETDC regulation is requested to be sought by the Minister of Finance, provided that Legislative Counsel is able to complete the drafting of the regulation.

Item 2 College Class Exemption Regulation

- HMT/DSI Minister has sence request to the Minister of Finance for a limited voltage class exemption regulation under existing FSA s.29 based on materiality thresholds, with a sunset clause.
- It is assumed that colleges are not going to be swamped unduly at this time.
- HMT Legal has prepared drafting instructions for Leg Counsel re: college class exemption regulation under existing FSA s.29.
- HMT Legal has prepared drafting instructions for Leg Counsel re: college class exemption regulation under existing FSA s.29.
- Ministerial approval of the joint HMT/DSI regulation is expected to be sought by the Minister of Finance from his colleague, provided that Leg Counsel is able to complete the drafting of the regulations.

Ministerial Lending Directive – DSI- Loan to GCRC

- The Consultation Document is available to view on the GCRC's New Zealand Government Consultation Hub page (https://www.consultations.govt.nz/gcrc/gcrc-consultation-document/).
- Formally reimbursed legislation establishing the new organisations is expected to be introduced to Parliament in December 2021.
- Prior to entering into a loan agreement with the GCRC, in December, the CFO will provide a formal lending direction (by the end of December) addressing any matters that have.

From: Usman Zahid
To: Ronald Kwan
Subject: RE: MO Bi-Weekly Agenda
Date: Monday, November 06, 2017 5:41:12 PM
Attachments: Annotated Agenda MO Bi-Weekly Nov 6 2017_Markup3.docx

---

Hi Ron,

Attached is the updated markup. Mara has changed the first bullet back to her original language. She has noted that the OCRC does not exist yet as such it would be incorrect to state that it "is seeking". The OCRC should be established by late December.

Regards,
Usman

From: Ronald Kwan
Sent: Monday, November 06, 2017 3:33 PM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Usman,

Some suggestions.

Ron

From: Usman Zahid
Sent: November-06-17 09:59
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

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Regards,
Usman

ARBOR CREEK ASPIRIA
MID-CAP BLUE - Account No. 7-2047

STATIC TRACTY & ASSET OPTIMIZATION REVISED ISSUES

1. **$12.5 Credit Facility.**
   - The existing $8.75 million facility is currently more than $300 million drawn.
   - Upon the new agreement, the facility is post-close, the $8.75 million facility is to be reduced to $300 million.
2. Total [redacted] of the latest agreement, which includes a commitment fee of [redacted] across closing and process, and the credit agreement [redacted]

[redacted]

- Governor DOE have walked a careful line on the Montana CO2 ruling to the Minister of Finance that would provide support for a directive from the Minister of Energy to the CER to direct Enbridge Pipelines to build the Line 5 tunnel to support CO2. Without us their view, and options to avoid such impacts, if that is the outcome afterward is [redacted]
  - [redacted] Minister of Energy wanted to fill Energy at a staff level and based on feedback from Energy, a new draft has been prepared.
  - The [redacted] that the Union focuses on the [redacted] and that [redacted] [redacted] [redacted]

OTHER REGARD

- Question #8 a change for DRDO code of conduct
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

Item 1 Loan Program for Emerging Retrofit Projects at Colleges and Universities

- MAETDO has been asked to provide a comfort letter signed by the Minister indicating MAETDC has committed to backstop the loan program and to show evidence of the backstop agreement between MAETDC and CIDL. A draft agreement between MAETDC and CIDL outlining duties and responsibilities for these loans, is currently being reviewed by MAETDC legal.
- MAETDC's ongoing verbal to Rob is to make borrowers specific to this program as some of the projects will not meet the materiality threshold amounts set out in the current borrowing resolution approved.
- MAETDC legal have provided drafting instructions to Legislative Counsel.
- Ministerial approval of the joint MAETDC regulation is requested to be sought by the Minister of Finance, provided that Legislative Counsel is able to complete the drafting of the regulation.

Item 2 College Class Exemption Regulation

- HMT/DD Minister has sence request to the Minister of Finance for a limited-stage mass exemption exception under existing FSA s.29 based on materiality thresholds, with a sunset clause.
- It is assumed that colleges are not going to be swamped unduly at this time.
- HMT Legal has prepared drafting instructions for Leg Counsel re: college class exemption and consequential amendments.
- Ministerial approval of the joint HMT/FSC regulation is expected to be sought by the Minister of Finance from his colleague, provided that Leg Counsel is able to complete the drafting of the regulations.

Ministerial Lending Directive – GOA Loan to GCRC

- The Greece Carpathy Field Corporation (GCRC) has [redacted] loan of up to $2,500M to cover its start-up costs as it [redacted] contracts with the Government of Greece (GOG) to [redacted].
- [redacted] GOG has [redacted] to provide a guarantee of the GCRC loan.
- [redacted] GOG has [redacted] established that the Ombudsman is expected to proceed further the Minister there is [redacted].
- [redacted] GOG has [redacted] GCRC. In December, the GFN will require a Ministerial lending direction [by the end of December] authorising it to make the loan.

From: Ronald Kwan
To: Usman Zahid
Subject: RE: MO Bi-Weekly Agenda
Date: Monday, November 06, 2017 3:32:43 PM
Attachments: Annotated Agenda MO Bi-Weekly Nov 6 2017_Markup.docx

---

Hi Usman,

Some suggestions.

Ron

From: Usman Zahid
Sent: November-06-17 09:59
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the proposed MO Bi-Weekly Agenda for tomorrow's meeting.

Regards,
Usman

[redacted] Proposal
[redacted] 2026

[redacted] TRACTS & ASSET OPTIMISATION INITIATIVES (SOAIP)

1. **$[redacted] Credit Facility**
   - [redacted] to increase the credit limit to finalise the $[redacted] credit facility for $[redacted] million for the implementation of the Fast Follow Plan.
     a. The existing $[redacted] million facility is currently more than $[redacted] million drawn.
     b. Upon the increase of the [redacted] facility to point plane, the $[redacted] million facility is to be reduced to $[redacted] million.
2. Draft respect execution of the letter agreement, which provides concurrence by all involved parties on the intercept provisions, and the credit facilities agreements.

[redacted]

- Staff for CEJC have drafted a potential letter from the Minister of Energy to the Chair of the CEJC, Senator Lankford, and the Chair of the Committee on Natural Resources in the HE, to allow for discussions with affected ACOs on the potential implementation of the Tribal laws and options to avoid such impacts, if that is the outcome affected ACOs prefer.
  - This draft letter has been shared with El staff as a staff level and based on previous discussions with the Tribal Nations.
  - [redacted] [redacted] [redacted]

OTHER ISSUES

- Question #8 language for DRIVE code of conduct
- [redacted]
- [redacted]
- [redacted]
- [redacted]

Low-Income Program for Emerging/Retrofit Projects at Colleges and Universities: Staff is working with the Low-Income Program Administrator to develop a low-income program through the DRI to finance energy retrofit projects at colleges and universities.

- MAETAS has been asked to provide a comfort letter signed by the Minister indicating MAETAS' commitment to develop the loan program and to allow transfer of funds from the DRI to the Low-Income Program. The MOU between MAETAS and DRI, outlining duties and responsibilities for these loans, is currently being reviewed by legal counsel.

MAETAS is waiting on Rob Lo Bianco transition specific to this program as some of the projects will exceed the materiality threshold allowable set out in the current Investment Agreement with MAETAS.

- MAETAS' legal have provided drafting instructions to Legal Counsel.
- Ministerial approval of the joint MAETAS / regulation is expected to be sought by the end of December, provided that Legal is able to complete the drafting of the regulation.

College Class-Exemption Regulation

- MoF/DG Minister has service request to the Minister of Finance for a limited-village mass operation expansion under existing FSA s.29 based on materiality thresholds, with no new primary law.
- It is assumed that villages are not going to be revamped entirely at this time.
- MoF Legal has drafted enabling regulations (Village Regulation – Amending Business Lines on potential sectors to prescribe on visit).
- MoF Legal has prepared drafting instructions to Leg Counsel to village class exemption regulations under existing FSA.
- Ministerial approval of the joint MoF/FSC regulation is expected to be sought by the Minister of Finance and Minister, provided that Leg Counsel is able to complete the drafting of the regulations.

Ministerial Lending Directive – GOI Loan to GCRC

- The Eastern Cannabis Fund Corporation (GCRC) has requested a loan of up to $1,000 to cover its set up costs such as fixed cost for [redacted] and salaries starting in 2026.
- Currently there is no legislation establishing the GCRC and its operations. Therefore, [redacted] legislation establishing the GCRC and its operations is required to be passed by the Legislature before any loan can be disbursed.
- Prior to entering into a loan agreement with the GCRC, in December, the GFA will require a ministerial lending directive (by the end of December) authorizing it to make the loan.

From:	Ronald Kwan
To:	Usman Zahid
Subject:	RE: MO Bi-Weekly Agenda
Date:	Friday, December 22, 2017 12:55:42 AM
Attachments:	Annotated Agenda MO Bi-Weekly Dec 20_Markup4.docx

Hi Usman,

See attached.

Ron

From: Usman Zahid
Sent: December-20-17 11:05 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Ron,

Sorry, one more updated. EFB has adjusted the language in item 1 to reflect the execution of the first equity injection.

Regards,
Usman

From: Usman Zahid
Sent: Wednesday, December 20, 2017 10:58 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Ron,

SPFB has added language on CLFN contacting ENERGY regarding the TPA. Attached is an updated markup and a clean version.

Regards,
Usman

From: Ronald Kwan
Sent: Wednesday, December 20, 2017 9:50 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Re: MO Bi-Weekly Agenda

Hi,

Let's get a version that we can send to Marianne.

Thanks,
Ron

From: Ronald Kwan
Sent: December 19, 2017 7:13 PM
To: Usman Zahid
Subject: RE: MO Bi-Weekly Agenda

Hi Usman,

Some suggestions.

Ron

From: Usman Zahid
Sent: December-18-17 17:49
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the Agenda for Wednesday's potential (if it's not cancelled) MO bi-weekly. Also, a reminder that Marianne wants to discuss Zubacorp in the bi-weekly as well (see attached email).

Regards,
Usman

STAFF DRAFT IV. & ASSET OPTIMIZATION INITIATIVES UPDATE

1. **$1.4 Capex net of the equity injection for GA deferral – FY-End**

- GSB- has signed an MOU with the Attorney will hang- regarding the payment.
- Ontario Power Generation Inc. (OPG) has signed an MOU with the province on behalf of the Ministry will hang-

- On December 30, 2012, the Ministry will hang- provided a copy of the signed Share Subscription Term to July 2015. The term agreement [illegible] 2012 [illegible] Subscription Term to July 2015. The term agreement [illegible] 2012 [illegible] Province [illegible] [illegible] [illegible] [illegible] through the equity injections in [illegible] [illegible] [illegible] [illegible]

- The Ontario Energy Board will rule on the rate application's [redacted] [redacted]
  - [redacted]
  - [redacted]
  -

R - 00187

Discussion Items/Next

- Staff will discuss alternatives to the Strategy to provide for a new Request for Proposals

Public

- Staff will provide an update on the ECF application with respect to the Strategy, including:
  - Whether there were alternatives that would accelerate the ECF project without the need for a new Request for Proposals, and if so, why such alternatives were not pursued; and if not, why a new Request for Proposals is the right way to accomplish the Strategy's objectives

Confidential Audit Committee (CAC) Meeting

- On November 22, 2017, the Company met with CLPA and its advisors, as well as ORS.
  - CLPA discussed its position on the permanent debt and noted that it would like to see the Company pursue a new RFP for the permanent debt financing in 2017.
  - CLPA also requested capacity funding.
  - Exceptions as appropriate and necessary that establish capacity factors and provide for capacity payments for all of Kern's thermal assets [illegible] for the benefit of CLPA.
- The Debs, of NAESCO, and MEC have had no conversation since capacity funding meeting.
  - MEC is not willing to discuss capacity funding since it was rejected at the capacity funding meeting.
  - MEC's staff, though, staff are in discussions. Proposal under discussion would be that Cogentrix Eastern Equipment (CEE) would buy out MEC's and CLPA's entire PPA interests (former NAF proposed budget) and subcontract back.
  - CEE would be responsible for all costs and liabilities under the PPAs.
  - Energy staff has provided MEC with a draft PPA [illegible] to terminate it now instead with CLPA.
- Kern and MEC also had two phone calls with CLPA and its advisors to discuss some of the issues that would need to be in a binding MOU agreement to which all 3 would be parties [illegible] [illegible] [illegible].
  - CLPA has [illegible] a draft transcript agreement and will [illegible] provide comments on December 6, 2017. CLPA advisors have agreed to [illegible] the transcript agreement [illegible] [illegible].
  - The proposed outcome of the work need in the draft agreements will be to seek consensus on the financial status of the facility and to formulate options [illegible]

- [illegible] [illegible] in relation to the [illegible] [illegible] [illegible]

s.19(1)(b) s13,s21

Ministerial Lending Directive - OCS: Loan to OCRC

- The Cannabis Control Act is seeking a loan of up to $600M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set-up costs. [Loan ordinance](#) [Cannabis Control Act, 2017, S.O. 2017, c. 26, Sched. 2, s. 19(1)(b)].
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Given the size of the loan, approval by the Minister of Finance (MOF) will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, ELA section 24 approval by the Minister of Finance will be required.
- Agreement in principle on section 24 was negated in the ready for the Minister's approval dated November.
  - Following these approvals, the loan agreement would be finalized for execution by the Minister of Finance.

Loans to the Workers' Compensation Appeals Tribunal (WSIAT) on 4/12/2019

- OSBI has approached MOHLTC and OOS, on plausible basis from the COVID Premium finance the making of third premium plan with WSIAT. [OSBI Investment Powers Regulation, O. Reg. 74/11, s. 2(1)(2)]. Approval by MOF is a loans would not be required till January 1, 2021[Sec31- Minn's has made a commitment to provide a loan to WSIAT in the amount of:
  - Estimated loan amount is $110 million for a term of 25 years.
  - OFA has drafted a preliminary term sheet.
  - OSBI has not yet provided financial details or business case to support their investment decision.
- The MOHLTC Minister will write to the Minister of Finance requesting the OTL loan.
- Minister of Finance Lending Directive will be needed for the OTL to make the loan.
  - This is JR approval from Minister of Finance will also be required.

From: Usman Zahid
To: Ronald Kwan
Subject: RE: MO Bi-Weekly Agenda
Date: Wednesday, December 20, 2017 11:04:37 AM
Attachments: Annotated Agenda MO Bi-Weekly Dec 20_Markup3.docx

---

Hi Ron,

Sorry, one more updated. EFB has adjusted the language in item 1 to reflect the execution of the first equity injection.

Regards,
Usman

From: Usman Zahid
Sent: Wednesday, December 20, 2017 10:58 AM
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Hi Ron,

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To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Re: MO Bi-Weekly Agenda

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Attached is the Agenda for Wednesday's potential (if it's not cancelled) MO bi-weekly. Also, a reminder that Marianne wants to discuss Zubacorp in the bi-weekly as well (see attached email).

Regards,
Usman

EVIDENTIARY & ASSET OPTIMIZATION REVIEW ISSUES

1. **First Payment of the equity injection for GA deliver at , FY-End.**
   - GOA has signed an MOU with the Attorney will hereby regarding the payment.
   - GOA has not yet made the payment of [redacted] and there is no payment as of now/ Ontario Attorney will hereby.
   - On December 30, 2017, the Attorney will hereby provided a copy of the signed Share Subscription Terms in the GOA. The term and conditions of the GOA to purchase [redacted] GP is provided in the Share Subscription Terms. [redacted] GP is to purchase [redacted] GP, a wholly-owned subsidiary of [redacted] GP, for the equity injection in GOA.
   - The transaction between [redacted] and [redacted] is scheduled to close on December 29th, 2017 and [redacted] is to pay [redacted] on the closing date.
   - Based on the share price of $22.20 as of September 30, 2017, the Province [redacted] receiving [redacted] Class A shares.
2. **Trillium Trust – Doubling the Gains from the Sale of the Ontario Power Generation Fund Office**
   - A application to credit the gains from the sale of the GP to Fund Office properties at Ontario Power Generation (OPG) to the Trillium Trust for the "Doubling Gains" among over a dozen TB-SE and leading investors, which are under bailiff broker.
   - It has tentatively been targeted for the January 24 TB-NEC meeting for approval, pending approval to move forward. The formal deadline for submission of materials is January 10, 2018.
   - The sale closed in early April 2017 and is already in the public domain, including being reported in OPG's quarterly financial statements.
3. **GP-Gate application 2017 to 2021**
   - On May 17, 2016 GP-G filed its application with the Ontario Energy Board (OEB) for changes in payments amounts for the output of its nuclear generating facilities and for the output of its prescribed generating facilities for the period of January 1, 2017 to December 31, 2021.
   - The Ontario Energy Board ruling on the rate applications is imminent, but it is uncertain whether it will be provided before the end of 2017 or early in 2018.

- CLRN: discussed its positions on the generation date and noted that it would like to propose a framework agreement, all-in-one-time rate on like-concrete-with-FIRSTCO
- CLRN: also requested capacity funding
- The Chair: noted that the proposal to provide small brownfield supports having any benefit variation (under the annual purchase agreement) would be effectively nil for the benefit of CLRT
- The Chair, FIRSTCO, and MOT many had a conversation where capacity funding was done in a previous, not this year with MOT/MOF re-running one-providing capacity funding
- [Both staff many staff are in chronology. Proposal under discussions] and the Chair noted that the proposal would be discussed with MOT/MOF and the CRB. CRB-FCRB would review the proposal in detail and submitted the rates.
- [Clarify staff / consultants] that CRB rate analysis was completed by Dec.
- Finally, staff have not discussed MOT rate or draft RFP in terms anticipated in the Framework Agreement.

Commented [1]: Clarify staff / consultants] that CRB rate analysis was completed by Dec.

- Staff for CRTC also must take phone calls to MOT and its advisors to discuss some of the above. How would need to be a decision on whether to include all 3 brownfield sites in the RFP, or whether to proceed with 2 sites and the brownfield post exclusion of capacity funding from GETEC.
- CLRN: the revised draft Framework Agreement that staff have provided confirms the revised budget for CRB services that staff agreed to most of the suggested changes, and a follow up call is scheduled on remaining items.
- The Chair: noted that the Framework Agreement is not intended to provide clear reference on the financial status of the facility and to formulate options in relation to the generation debt, in a without prejudice basis, to generate benefits for CLRT.
- While the options are not to be formalized, it is predetermined assessing scores of the options in the interest of GETEC to maximize cost and impact of different rates the decision.
- Some options may have an impact on this rate plan to the Aggregate HAUL

ISSUES ISSUED

1. **Ministerial Lending Directive – OCS- Loan to OCNC**
- The Cannabis Exemption is seeking a loan of up to $650M for the Ontario Cannabis Retail Corporation (OCRC) to cover the remainder of the OCS' initiative budget. Currently, the OCS has a budget of $1.1B for its initiative.
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Given the OCS' budget is insufficient to cover the OCRC's loan, MOFA will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, SLA section 24 approval by the Minister of Finance will be required.
- Although the Lending Directive and section 24 are required to be ready for the Minister's approval before the December:
  - Following these approvals, the loan agreement would be finalized for execution in January 2019.

2. **Loans to E. Michael Furlong Ltd (EMF) or OGDP**
- EMF has approved both MOHLTC and GOL re: possible loan from the OSUH Fund to or finance the making of interim person plan with OGDP. EMF's approval is subject to the following conditions, which MOHLTC advises are to be met not be required BY January 1, 2019 (for Dr. Mike's hips made a commitment to the Premier in May 2018 to do so):
  - Fundraised loan amount is $10.0 million for a term of 25 years.
  - OFA has drafted a preliminary term sheet.
  - EMF has not yet provided financial details or business case to support their loan request.
- The MOHLTC Minister will write to the Minister of Finance requesting the OTs loan.
- Minister of Finance Lending Directive will be needed for the OTs to make the loan.
  - This is JR approval from Minister of Finance will also be required.

From: Usman Zahid
To: Ronald Kwan
Subject: RE: MO Bi-Weekly Agenda
Date: Wednesday, December 20, 2017 10:58:07 AM
Attachments: Annotated Agenda MO Bi-Weekly Dec 20 v3.docx
Annotated Agenda MO Bi-Weekly Dec 20_Markup2.docx

Hi Ron,

SPFB has added language on CLFN contacting ENERGY regarding the TPA. Attached is an updated markup and a clean version.

Regards,
Usman

From: Ronald Kwan
Sent: Wednesday, December 20, 2017 9:50 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Re: MO Bi-Weekly Agenda

Hi,

Let's get a version that we can send to Marianne.

Thanks,
Ron

From: Ronald Kwan
Sent: December 19, 2017 7:13 PM
To: Usman Zahid
Subject: RE: MO Bi-Weekly Agenda

Hi Usman,

Some suggestions.

Ron

From: Usman Zahid
Sent: December-18-17 17:49
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the Agenda for Wednesday's potential (if it's not cancelled) MO bi-weekly. Also, a reminder that Marianne wants to discuss Zubacorp in the bi-weekly as well (see attached email).

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: December 20, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. First Payment of the equity injection for GA deferral – FYI Only

- OFA has signed an MOU with the Ministry of Energy regarding the payment process of the equity injections in OPG, and OFA will make the payments on behalf of the Ministry of Energy.

- On December 18, 2017, the Ministry of Energy provided a copy of the signed Share Subscription Form to the OFA. The total value of the assets OPG is purchasing from the IESO in the first transaction is $1,179,000,000, and the Province will finance 44%, or $518,760,000 through the equity injections in OPG. OPG will then lend subordinated debt to the OPG Trust / financing entity.

- The transaction is expected to close on December 20th, 2017 and OFA is on track to complete the payment on behalf of MOE.

- Based on the share price of $42.46 as of September 30, 2017, the Province will receive 12,217,616 Class A shares.

2. Trillium Trust – Crediting the Gains from the Sale of the Ontario Power Generation Head Office

- A regulation to credit the gains from the sale of the OPG Head Office properties at 700 University Avenue and 40 Murray Street in Toronto has been drafted, along with a draft TB20 and briefing materials, which are under staff review.

- It has tentatively been targeted for the January 24 TB/MBC meeting for approval, pending approval to move forward. The formal deadline for submission of materials to Treasury Board is January 3.

- The sale closed in early April 2017 and is already in the public domain, including being reported in OPG's quarterly financial statements.

3. OPG rate application 2017 to 2021

- On May 27, 2016 OPG filed its application with the Ontario Energy Board (OEB) for changes in payments amounts for the output of its nuclear generating facilities and the regulated hydroelectric generating facilities for the period January 1, 2017 to December 31, 2021.

- The Ontario Energy Board ruling on the rate application is imminent, but it is uncertain whether it will be provided before the end of 2017 or early in 2018.

- Risks include the following:
    a. Non-approval of OPG's full submitted costs, for operations and cost of capital.
    b. Retroactive rate recovery. The rate application was for rates starting January 1, 2017. OPG has estimated a $60 million per month impact if the rate recovery is not made back to that date (to be recovered in a "rate rider" in future rates).
        i. Note, OEB's Hydro One's transmission decision was made retroactive to January 1, 2017.
    c. An estimated $600 million one-time risk if OEB directs OPG to switch form accrual-based to cash-basis for Pension and OPEB costs
    d. An estimated $450 million annual ongoing risk reflecting the potential impact of an OEB decision that OPG switch to cash-basis accounting for regulated recovery of nuclear liability amounts.

4. Hydro One OEB Transmission ruling Motion to Review and Court Appeal

- On September 28, 2017, the OEB ruled on Hydro One's Transmission rate application for 2017 and 2019. In particular the OEB ruled that Hydro One must share a portion of its deferred tax benefit with ratepayers. (Hydro One's application assumed 100% of the benefit would accrue to shareholders).

- Hydro One has filed a Motion to Review with the OEB and has also filed a court appeal. The latter is stayed pending the OEB review process. Hydro One is uncertain about timing but the review is to get underway in first quarter of 2018, with hearings scheduled for February, with a decision possibly in the 1st or 2nd quarter of 2018.

- Hydro One estimates a one-time impact of a decision not in its favour of up to $885 million. The fiscal impact to the Province based on share allocations would be about $440 million.

5. Impact of the FHP on Certain NUGs

- On December 15, 2017, the Minister of Finance issued a direction to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
    - Staff for OEFC will be proceeding with consultations with affected NUGs to request their views on how GA deferral would be incorporated into the calculation of indices used to determine escalation of affected PPA rates. Two options have been prepared to present to the affected NUGs and to solicit NUG views / choice of option.

6. Constance Lake First Nation (CLFN) Meeting

- On November 22, 2017, the Deputy met with CLFN and its advisors, as well as OFA staff.
    - CLFN discussed its position on the generator debt and noted that it would like to propose a framework agreement, as was the case in discussions with ENERGY.

- CLFN also requested capacity funding.
- Brookfield was represented and stated that Brookfield supports having any benefit provided under the power purchase agreement would be effectively for the benefit of CLFN.

- The DMs of ENERGY and MOF have had a conversation about capacity funding and there is openness on the part of ENERGY to looking into providing capacity funding.
  - CEFD and Energy staff are in discussions. Proposal under discussion would be that the Transfer Payment Agreement (TPA) would be with Energy and CLFN, while CEFD would review the proposed budget and submitted invoices.
  - Energy staff have indicated that CLFN has contacted them regarding the TPA.
  - Energy staff have provided OEFC with a draft TPA which is anticipated to be shared with CLFN.
- Staff for OEFC also had two phone calls with CLFN and its advisors to discuss some of the elements that would need to be in a framework agreement to which OEFC would be party, such as its compatibility with OEFC's mandate, the inclusion of Brookfield and exclusion of capacity funding from OEFC.
  - CLFN has shared a draft framework agreement and staff have provided comments on December 8, 2017. CLFN advisors have agreed to most of the suggested changes, and a follow-up call is scheduled on remaining items.
  - The proposed outcome of the work noted in the draft agreement would be to seek consensus on the financial status of the facility and to formulate options in relation to the generator debt, on a without prejudice basis, to generate benefits to CLFN.
  - While the options are yet to be formulated, it is possible that executing some of these options will fall outside of OEFC's mandate and will require a direction from the Minister.
  - Some options may have an impact on the rate paid to the Nagagami NUG.

OTHER ISSUES

7. Ministerial Lending Directive – OFA Loan to OCRC

- The Cannabis Secretariat is seeking a loan of up to $150M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set up costs, in accordance with policy approval obtained from Treasury Board on October 17, 2017.
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Prior to entering into a loan agreement with the OCRC, the OFA will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, FAA section 28 approval by the Minister of Finance will be required.
- Both the Lending Directive and section 28 are targeted to be ready for the Minister's approval before mid-January.
    - Following these approvals, the loan agreement would be finalized for execution by OCRC and the OFA.

8. Loan to St. Michael's Hospital (SMH) re: HOOPP

- SMH has approached MOHLTC and OFA re: possible loan from the OFA/Province to finance the merging of their pension plan with HOOPP. SMH does not have sufficient assets to finance the higher cost of HOOPP benefits. Loan would not be required till January 1, 2019 but St. Mike's has made a commitment to join the HOOPP plan by January 1, 2018.
    - Estimated loan amount is $110 million for a term of 25 years.
    - OFA has drafted a preliminary term sheet.
    - SMH has not yet provided financial details or business case to support their loan request.
- The MOHLTC Minister will write to the Minister of Finance requesting the OFA loan.
- Minister of Finance Lending Directive will be needed for the OFA to make the loan.
    - FAA s.28 approval from Minister of Finance will also be required.

EVELYN ETY V. A GOOD TY OPTIMIZATION INITIATED ISSUES

1. **It's a Paper win of the equity injection for GA- deliver at… FY 0 July**
   - GSN- has signed a PPA with the Attorney will Energy regarding the payment.
   - Attorney will Energy has provided a copy of the signed PPA and made the payment via email Andrea Mchenry will Energy.
2. On December 30, 2017, the Attorney will Energy provided a copy of the signed Power Purchase Agreement (the PPA). The new wholesale electricity (EP) to purchase electricity from the Grants Pass Energy Center (the Facility) for the period January 1, 2018 through December 31, 2020. Attorney will Energy has the equity injections in EPU. Attorney will Energy has provided a copy of the signed PPA and made the payment via email
   - The transactions is expected to close on December 28th, 2017 and EPU is on track to complete the payment on behalf of MHEE.
   - Based on the share price of $42.40 as of September 30, 2017, the Proxies will receive 0.4172 EVE Class A shares.
3. **Trillian Trust - Enabling the Gains from the Sale of the Grant in Power Generation Investments**
   - Trillian Trust has received clearance from the Irish of the DPC's Head Office proposal for EVE Electricity's control, with 29 Attorney Screen in Toronto has been clarified, along with a deal TRUE and trading investors, which are under said function.
   - It has tentatively been targeted for the January 24 TRANEC meeting for approval, subject to the Attorney will Energy Board. The formal deadline for submission of materials for Trustee Board is January 3.
   - The rate created is early Lord 2027 and is already in the public domain, including the Attorney will Energy Board's approval of investments.
4. **MPS-run application 2027 to 2031**
   - On May 27, 2016 DPC filed its application with the Oneida Energy Board (OEB) for changes in payments amounts for the output of its nuclear generating facilities and the regulated hydroelectric generating facilities for the period January 1, 2017 to December 31, 2021.
   - The Oneida Energy Board ruling on the rate applications is imminent, but it is uncertain whether it will be provided before the end of 2017 or early in 2018.

[redacted]

- [redacted]
- [redacted]
- [redacted]

- CLRN: discussed its positions on the generation stator and, noted that it would like to propose a framework agreement, will pass this over to discussions with PGE/TEC
- CLRN: also requested capacity funding
- Tom Green: Commercial Advisor: Proposal shall [redacted] supports having any benefit variations (under the power purchase agreement) would be effectively, for the benefit of CLR
- The Chair, Commissioner, and MEP Feroz had a conversation where capacity funding was there is a technical, not the case with NEMGT. In moving into providing capacity funding to CLRN.
- [redacted] staff, staff are in discussions. Proposal under discussions would be [redacted] staff, staff are in discussions. Proposal under discussions would be [redacted] using CLRN would increase the amount of output and a potential [redacted]
- [redacted] [redacted] [redacted]

s) Draft minute:

1. **Ministerial Lending Directive – OCS- Loan to OCRC**
- The Cannabis Exemption is seeking a loan of up to $650M for the Ontario Cannabis Retail Corporation (OCRC) to cover the remainder of the Province's initial investment in the Ontario Cannabis Store (OCS) and to support its ongoing operations.
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Under the Financial Administration Act (FAA), the Minister of the OCS will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, SLA section 24 approval by the Minister of Finance will be required.
- Agreement in principle between section 24 are required to be ready for the Minister's approval before the December.
  - Following these approvals, the loan agreement would be finalized for execution before the OCRC's launch.

2. **Lease-to-Own Modular Fuel Injection ($14M) for HVDRP**
- GMH has approved lead MOHLTC and GOL no -presidio load from the COVID Fund to co-finance the leasing of new cancer plan with HVDRP. $14M- Modular Fuel Injection (MFI) for HVDRP. Lease-to-own agreement for MFI. Loans could not be required till January 1, 2022 But Dr. Mike's has made a commitment to the Minister of Health (MOH) that:
  - Fuel-based loan amount is $12.5 million for a term of 25 years.
  - OFA has drafted a preliminary term sheet.
  - GMH has not yet provided financial details or business case to support their request for funding.
- The MOHLTC Minister will write to the Minister of Finance requesting the LTD loan.
- Minister of Finance Lending Directive will be needed for the LTD to make the loan.
  - This is JR approval from Minister of Finance will also be required.

From: Ronald Kwan
To: Usman Zahid
Subject: RE: MO Bi-Weekly Agenda
Date: Tuesday, December 19, 2017 7:13:57 PM
Attachments: Annotated Agenda MO Bi-Weekly Dec 20_Markup.docx
Annotated Agenda MO Bi-Weekly Dec 20_v2.docx

Hi Usman,

Some suggestions.

Ron

From: Usman Zahid
Sent: December-18-17 17:49
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the Agenda for Wednesday's potential (if it's not cancelled) MO bi-weekly. Also, a reminder that Marianne wants to discuss Zubacorp in the bi-weekly as well (see attached email).

Regards,
Usman

DRAFT DRAFT IV & ASSET OPTIMIZATION REVISED ISSUES

1. **First Payment of the equity injection for GA dollar-al... FY Ends**
   - GOA has signed an MOU with the Attorney will hungry regarding the payment.
   - Attorney will hungry has been sent an invoice and is awaiting the payment as a result of the Attorney will hungry.

2. On December 30, 2017, the Attorney will hungry provided a copy of the signed Share Subscription Terms to the GPC. The term sheet provides that GPC to purchase [redacted] shares of Attorney will hungry Power Inc. for a total purchase price of [redacted]. GPC will also [redacted] the equity injections in GOA.
   - The transaction is expected to close on December 28th, 2017 and GOA is on track to complete the payment on behalf of APEX.

3. Based on the share price of $42.40 as of September 30, 2017, the Proxies will receive 14,151,5160 Class A shares.

4. **Trillian Trust - Enabling the Gains from the Sale of the Grand Power Generation Facilities**
   - The Trillian Trust was formed from the sale of the GPC Grand Office properties to Trill University in order with Attorney Tyrese H. Toronto has been drafted, along with a draft TSCA and trading materials, which are under said review.
   - It has tentatively been targeted for the January 24 TBAMC meeting for approval, subject to the Trillian Trust Board. The formal deadline for submission of materials to Trustus Board is January 3.
   - The sale closed in early April 2017 and is already in the public domain, including the Trillian Trust's ownership of the Grand facilities.

5. **APEX Loan application 2017 to 2021**
   - On May 27, 2016 GPC filed its application with the Ontario Energy Board (OEB) for changes in payments amounts for the output of its nuclear generating facilities and the regulated hydroelectric generating facilities for the period January 1, 2017 to December 31, 2021.
   - The Ontario Energy Board's ruling on the rate applications is imminent, but it is uncertain whether it will be provided before the end of 2017 or early in 2018.

[redacted]

- [redacted]
- [redacted]
- [redacted]

- CLVN: discussed its positions on the passenger stairs and, noted that it would like to progress a framework agreement, will look into this now in the outcome with PINSTECH
- CLVN: also requested capacity funding
- The Chair: noted that the Applicant's capacity shall (if justified) supports hearing any benefit variations (when the annual and lease agreement) would be effectively, for the benefit of CLVN
- The Chair, Applicant, and MOT Feroz had a conversation where capacity funding was done in a previous, on the past LHR INFRAST. Accounting who providing capacity funding
- Both: [redacted] staff are in discussions. Proposal under discussions [redacted] Will be [redacted] Which [redacted] Applicant [redacted] Applicant [redacted] Applicant

s) Bold request

1. **Ministerial Lending Directive – OCS Loan to OCRC**
- The Cannabis Exemption is seeking a loan of up to $650M for the Ontario Cannabis Retail Corporation (OCRC) to cover the remainder of the Province's initial investment in the OCS (the "OCS Loan") (see Appendix [redacted] for more details).
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Before the OCS Loan can be advanced to OCRC, the OCS will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, SLA section 24 approval by the Minister of Finance will be required.
- Negotiations on the loan agreement section 24 are targeted to be ready for the Minister's approval before the December
    - Following these approvals, the loan agreement would be finalized for execution before the OCS launches.

2. **Lease-to-O, Montauk Earthquake! ($34M Loss Avoided for OSSHP**
- OSHP has approached MOH,TC and OOS, on possible load from the OSUP Fusion-to-Shamu line hosting of their pension plan (HR-OSUPP, $34M-$40M annual contribution). The OSUP Fusion-to-Shamu line is a 1,000 km line that is not to be required till January 1, 2043.But Dr. Mom's has made a compelling argument that the OSUP line is at risk of:
    - Fish-based rust-amount to $12.5 million for a term of 25 years.
    - OFA has drafted a preliminary term sheet.
    - OSHP has not yet provided financial details or business case to support their request.
- The MOH,TC Minister will write to the Minister of Finance requesting the OCL loan.
- Minister of Finance Lending Directive will be needed for the OCL to make the loan.
    - This is JR approval from Minister of Finance will also be required.

EVELYN CITY TO A GOOD TOP TIMBLATION RELIAS TED: EGLES

1. **EVJ Fujin ent of the equity injection for GA. deferral – FY Ends**
   - CON. has signed an MOU with the Ministry still ready regarding the approval process for the equity injection, which will not have the payment on behalf of the Ministry still hangi
   - On December 18, 2017, the Ministry still hangy provided a copy of the signed Share Subscription Form to the CON.. The total value of the assets CP is accordingly CAD$ 1,000,000 and the number of shares is 1,000,000 shares. CP will be the finance with, or EVEJ TECHNOLOGY through the equity injections in CPS. CP Land Fore Ltd. will be the shareholder of CP with 100% of the shares.
   - The transaction is expected to close on December 29th, 2017 and CON. is on track to complete the payment on behalf of MOE.
   - Based on the share price of $CD 40 as of September 30, 2017, the Proceed will receive 4,212,5 CAD Class A shares.
2. **Trillian Trust – Enabling the Gains from the Kalo of the Green Power Generation and Supply**
   - Construction of the Project from the date of the OPC Award Offer proceeds on Full Economic License with 20 Money Screen in Toronto has been studied, along with a dual TRUE and trading materials, which are under said burden.
   - It has tentatively been targeted for the January 24 TBABEC meeting for approval, subject to the Project Agreement. The formal deadline for submission of materials to Thomas Rowe is January 3.
   - The rate created is early Lisell 2027 and is already in the public domain, including the Project Agreement and the Schedule of Investments.
3. **MPS can application 2017 to 2021**
   - On May 27, 2016 OPC filed its application with the Ontario Energy Board (OEB) for changes in payments amounts for the output of its nuclear generating facilities and the regulated hydroelectric generating facilities for the period January 1, 2017 to December 31, 2021.
   - The Ontario Energy Board ruling on the rate application is imminent, but it is uncertain if either it will be provided before the end of 2017 or early in 2018.

- Risks include the following:
  - Encroachment of IDP into full potential scope, for operations and control of central Illinois transmission. Specific examples of encroachment are as follows:
    - 2017: CPC has estimated a $50 million per month impact if the new IDP model heads back to the table for the nonconsent to a "take-title" to these assets.
    - Note: CEO is using Chris Hamerlinck's decision to use, make reference to the "take-title" model.
  - An estimated $600 million write-down of 2018 (Form 8K/A) in taxation from the Tax Cuts and Jobs Act (TCJA) of December 2017.
  - An estimated $400 million annual ongoing risk reflecting the potential impact of the TCJA on ATXI's ability to recover income taxes associated by the regulated recovery of revenue (ability services).

4. Hyatt v Chm ISRB Transm busin v cling Motion to R eview and Court d ppeal

- On September 28, 2017, the ISRB voted on Hyatts Grain Transmission rate application for 2017 and 2018. In particular the ISRB rejected Hyatts One -Year Attrition Relief Mechanism (ARM) proposal and instead set a Multi -Year Rate Application assumed 100% of the benefit would accrue to shareholders.
- Hyatt Chair has filed a Motion to Review with the ISRB and has also filed a court appeal. Hyatt anticipates that the motion to review will be ruled on by the ISRB at its December 20 meeting but the review is not guaranteed. Hyatt anticipates that the court appeal will be heard in the first quarter of 2018, with hearings scheduled for February, with a decision possibly in the 1st or 2nd quarter of 2018.
- Hyatt Chair estimates a one-time impact of a decision not to review of up to $585 million. The future impact to the Parent has been based on share allocations would be about $400 million.

5. Impact of the IDP and Grain Belt Ex

- On December 20, 2017, the Missouri ot Finance issued a direction to GE EC to allow Grain Belt Express Clean Line LLC to withdraw its application to construct the Grain Belt Express project in Missouri. Subject to the directive, effective July 1, 2018:
  - Staff for GETC will be proceeding with consultations with affected NGOs on potential routing options for the Illinois portion of the project and will be conducting public informative meetings to determine acceptance or alternate ROW sites. Our options have not changed and management is pursuing its plans to submit the ELI status, I choose not to.

6. Commerce ssion Ex ecutive (CoEx) Meeting

- On November 20, 2017, the Company met with CoEx and its advisors, as well as ODS and its advisors.
- CoEx discussed its position on the generation deals and stated that it would like to propose a framework agreement, as was the case in the electric with ENERGY

- CLIN, also requested capacity funding
- Screwtech as representative estimated that installed supports having any benefit calculation (under the power purchase agreement) would be effectively nil (Screwtech, pg. 2)
- The CMs of ESATECH and MGT have had a communication about capacity funding and there is openness on the part of MGT to looking into providing capacity funding.
  - ESATECH staff and I discussed this. Proposal under discussions and the CM is open to looking into providing capacity funding. However, ESATECH staff notes CETB would review the proposed budget and submitted invoices.
  - Proposal under discussions between ESATECH, with a draft TP to which by participants the Parties and CETB.
- Staff for CETC also had two phone calls with CLIN, and the advisors on January none of the divisions that would result in the LA Screwtech, agreement for which CETC discussed with Screwtech on capacity funding from CETC.
  - Screwtech and Screwtech's advisors on January 2021 staff have provided comments, as December 6, 2021. CLIN, advisors have agreed to most of the suggested changes, and a follow up call is scheduled on remaining items.
  - Screwtech's advisors have requested that CETC staff undertake a more in-depth review of the financial status of the facility and to formulate options in relation to the generation level, on a without prejudice basis, to generate benefits.
  - While the options are yet to be formulated, it is possible that expanding some of the facilities will not create a NEW TC in Hardcore and will require a diversion from the facilities.
  - Some options may have an impact on the rate paid to third-aggregator(s).

Comment [1]: Missing information?

s) Draft minute:

5. **Ministerial Lending Directive – OCS- Loan to OCRC**

- The Cannabis Exemption is creating a loan of up to $650M for the Ontario Cannabis Retail Corporation (OCRC) to help it buy inventory to sell at stores. A loan ministerial directive is required to authorize the loan from the province to the OCRC.
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Under the Financial Administration Act (FAA), the Minister of OCS will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, SLA section 24 approval by the Minister of Finance will be required.
- Agreement in principle between sections 24 are negated to be ready for the Minister's approval before the release.
  - Following these approvals, the loan agreement would be finalized for execution before the OCRC's launch.

6. **Lease-to-Own Merchant Furnished ($1M/Loss Initiative)**

- OAR has approached MOH,TC and OCS, on possible lead from the OSUM Premiere Events the hosting of their concert plan with HOOPP. OAR's proposal is to provide a lease-to-own merchant furnished ($1M/Loss Initiative). A Loans could not be required till January 1, 2018.Ref Dr. Mike's Nov./Dec.e mail correspondence with Ministers Office and Deputy Minister.
  - Estimated loan amount is $10.0 million for a term of 25 years.
  - OFA has drafted a preliminary term sheet.
  - OAR has not yet provided financial details or business case to support their proposal.
- The MOH,TC Minister will write to the Minister of Finance requesting the CATs loan.
- Minister of Finance Lending Directive will be needed for the CATs to make the loan.
  - This is JR approval from Minister of Finance.will also be required.

From: Usman Zahid
To: Ronald Kwan
Subject: RE: MO Bi-Weekly Agenda
Date: Tuesday, December 05, 2017 1:02:23 PM
Attachments: Annotated Agenda MO Bi-Weekly Dec 5 2017_v2.docx
Annotated Agenda MO Bi-Weekly Dec 5 2017_Markup4.docx

Hi Ron,

Attached are some minor edits from Karim, and a bullet from Mara on the St Michael hospital loan (saying that the s28 approval is also required). Also attached is a clean copy.

Regards,
Usman

From: Ronald Kwan
Sent: Tuesday, December 05, 2017 10:08 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

From: Usman Zahid
Sent: December-04-17 4:14 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the MO Bi-Weekly Agenda for the meeting tomorrow. John has said that he is okay with removing the Darlington and MNDM items, however he will leave it up to your discretion.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: December 5, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. ONFA Access Agreement

- Following the public hearing held on October 11, 2017, on November 28, 2017, the Canadian Nuclear Safety Commission (CNSC) announced its decision to accept Ontario Power Generation Inc.'s (OPG) proposed consolidated financial guarantee, from January 1, 2018 through to December 31, 2022, in respect of OPG's nuclear station decommissioning and nuclear waste management obligations.
    - The projected value of the nuclear funds is expected to be greater than the total financial guarantee requirement.
    - As a result, the Province will no longer provide a direct guarantee (the "Provincial Guarantee") to cover the difference between the CNSC's financial guarantee requirement and the value of the nuclear funds.

- The current ONFA Access Agreement (the "Agreement") needs to be amended to continue to give the CNSC access (in prescribed circumstances) to the segregated funds established under ONFA and remove references to the Provincial Guarantee.
- Ministry of Finance Legal are working with OPG to finalize the necessary amendments to the Agreement.
    - OPG staff are tracking to seek OPG approval of amendments to the Agreement by December 12, 2017.
    - Following OPG's approval, it is recommended that the Minister of Finance approve (and sign) the amendments to the Agreement before December 31, 2017 to ensure that OPG and the Province can satisfy CNSC's licensing requirements for the 2018 – 2022 period.

2. Impact of the FHP on Certain NUGs

- On November 16, 2017, the Minister of Energy sent a letter to the Minister of Finance providing support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
    - A draft package seeking Minister of Finance direction to OEFC has been prepared.
    - If a direction is provided, staff for OEFC would proceed with consultations with affected NUGs to request their views on how GA deferral would be incorporated into the calculation of indices used to determine escalation of affected PPA rates. Two options have been prepared to present to the affected NUGs and to solicit NUG views / choice of option.

3. Ottawa River Water Powers Act

- On November 7, 2017, a meeting with Cabinet Office, MNRF, ENERGY and MOF was held to discuss an upcoming negotiation between Ontario and Quebec on water power rental rates for hydroelectric stations on the Ottawa River, with a follow-up meeting on December 5th.
- These water power rentals are paid by Hydro Quebec to Ontario and by OPG to Quebec. The respective current magnitudes are based on volumes generated and both have totalled under $10 million per year in total.
- The current 25 year agreement sets rates to the end of 2017 and had included significant increases over that period.
- The current rates are now relatively similar to the rates for water power rentals in each of Ontario and Quebec for power dams on Provincial Crown lands.
    - Ontario's water power rentals for hydro-electric stations on Provincial Crown Lands are now a component of the Gross Revenue Charge (GRC), under an amendment in 2001 to the *Electricity Act, 1998*, and related regulations, under the authority of the Minister of Finance.
- MNRF has indicated that it may be more appropriate for ENERGY and/or MOF to lead the negotiations as these Ministries are closer to the issue.
    - ENERGY has a strong relationship with OPG, which pays the bulk of water rentals under this agreement and would be directly affected, although OPG does recover costs associated with water rentals from ratepayers.
    - MOF led the 1993 negotiations. CEFD is responsible for the GRC policy, a charge which includes a water rental component.
- Potential MOF positions:
    - **Initial Rate**: Water rental rates should not be lowered from the current rate under the ORWPA.
    - **Rate Escalation**: Rates under the ORWPA should at least remain flat, but could escalate on the basis of an inflationary measure, e.g., CPI.
    - **Parity of Rates**: Rates on both sides should be the same, as is currently the case.

OTHER ISSUES

4. Ministerial Lending Directive – OFA Loan to OCRC

- The Cannabis Secretariat is seeking a loan of up to $150M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set up costs, in accordance with policy approval obtained from Treasury Board on October 17, 2017.
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Prior to entering into a loan agreement with the OCRC, the OFA will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, FAA s. 28 approval by the Minister of Finance will be required.
- Both the Lending Directive and section 28 are targeted to be ready for the Minister's approval before the holiday break, subject to his availability.
- The loan agreement would then be finalized for execution by OCRC and the OFA in early-to-mid January.

5. LOAN INTERCEPT – OFA Loan to OLG for Lottery Terminals Replacement

- In Spring 2017, OLG requested approval for financing for its lottery terminals and network replacement and expansion project.
    - The loan directive and s.28(1) were signed by the Minister of Finance on July 18, 2017.
    - The loan directive directed the OFA to provide financing to OLG subject to terms and conditions that are consistent with the OFA's Lending Policy.
- According to the OFA Lending Policy, an intercept provision is required in all loan agreements as security against non-payment.
    - The intercept provision is contained in the loan agreement and must be authorized by the responsible minister. Since the Minister of Finance is the responsible minister, the Minister would be required to sign and be party to the agreement.
- Along with the loan agreement, OLG is also seeking s.28(1) approval of the Master Services Agreement (MSA) to be entered into with the service provider for the replacement lottery terminals.
    - Given the value of the contract, the Minister of Finance's signature will be required for the s.28(1) approval.
- OLG is seeking s.28(1) approval by February 9, 2018, in order to move forward with the execution of the MSA.
- Since the Minister of Finance's signature is required for both the loan agreement and the s.28(1) approval, staff are working with OLG to ensure that the documents can be signed concurrently.

3. Loan to St. Michael's Hospital (SMH) re: HOOPP

- SMH has approached MOHLTC and OFA re: possible loan from the OFA/Province to finance the merging of their pension plan with HOOPP. SMH does not have sufficient assets to finance the higher cost of HOOPP benefits. Loan would not be required till January 1, 2019 but St. Mike's needs to commit to joining the HOOPP plan by January 1, 2018 otherwise the cost will be even higher due to changes to HOOPP benefits that will take effect January 1, 2018.
    - Estimated loan amount is $100 million for a term of 25 years.
    - OFA has drafted a preliminary term sheet.
    - SMH has not yet provided financial details or business case. MOHLTC is following up with SMH CEO to confirm that SMH wishes to proceed with a loan and the date that the loan would be required.
- Subject to confirmation from SMH, the MOHLTC Minister will write to the Minister of Finance requesting the OFA loan.
- Minister of Finance Lending Directive will be needed for the OFA to make the loan.
    - FAA s.28 approval from Minister of Finance will also be required.

STATE TREATY & ASSET OPTIMIZATION INITIATIVE ISSUES

- [redacted]
- [redacted]
- [redacted]

- CNL discussed its positions on the generation stats and noted that it would like to improve a framework agreement, as was the case in discussions with NUMSA / Eskom.
- CNL also discussed related matters:
  - [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
- Kagiso/CNTC also had two phone calls with CNL and its advisors in which various matters were discussed, including a framework agreement, the potential IPP procurement and the Eskom debt relief. Kagiso/CNTC also had a meeting with the DG/DPE and [redacted] on the same topic.
- Kagiso/CNTC's position is as follows:
  - Kagiso/CNTC is open to working towards a framework agreement, but to the extent CNTC's mandate, staff anticipate that the outcome of the work noted in the framework agreement will be a recommendation to the CNTC Board and Trustees to formulate options, on a without prejudice basis, to generate benefits to CNL in relation to the gentailer stake.
  - Kagiso/CNTC's mandate is unchanged. It is prescribed that executing some of those options will fall outside of CNTC's mandate and will require higher levels of approval. [redacted]
- [redacted]

NUMSA / Eskom Agreement

- Following the public hearing held on October 31, 2017, on November 20, 2017, the Energy Portfolio Committee met to consider the Eskom Debt Relief Bill. The Committee heard submissions from NUMSA and Eskom on the Bill.
- NUMSA's submissions were that the Bill should be withdrawn and that Eskom should resolve the unbundling and nuclear waste management obligations.
- Eskom's submissions were that the Bill should be withdrawn because of (i) the value of the nuclear funds is expected to be greater than the R23 billion guarantee requirement.
- (ii) in reality, Eskom will not need no longer provide a direct guarantee (the 10-annual guarantee fee) and that the difference between the COVID-19 financial guarantee requirement and the value of the nuclear funds.
- [redacted]

- Ministry of Finance Legal are working with OPG to finalize the necessary amendments to the Agreement.
  - OPG staff are working to seek OPG approval of amendments to the Agreement by [redacted].
  - Following OPG's approval, it is recommended that the Minister of Finance approves (and signs) the amendments to the Agreement before December 31, 2022, to ensure that OPG is in full compliance with its IESO CMSC Volumetric requirements for the 2023 – 2027 period.

Impact of the OWP on Carillon NGGS

- On September 1, 2022, the Premier sent a letter to the Minister of Finance providing support for a direction from the Minister of Finance to OPG to [redacted] Carillon NGGS, in order to [redacted] the OWP's impact on Ontario's retail rates and options to avoid such impacts, if that is the outcome allowed from the OWP.
  - A draft [redacted] direction of Finance direction to OPG [redacted] is under development.
  - [redacted] process is expected [redacted] to OEFC would proceed with consultations with affected NGGS to request their views on how CIL Allowed would be incorporated into the calculation of rebates used to determine compliance of affected PPA rates.

Ottawa River Water Power Assets Act

- On September 1, 2022, a meeting took place between Ministry of Finance, Ministry of Energy, Ministry of Intergovernmental Affairs, Ontario Power Generation and Quebec to update Quebec on their views for a Bilateral Agreement under the Ottawa River Water Power Assets Act.
- Ontario water power rentals are paid by Hydro Quebec to Ontario and by OPG to Ontario. [redacted]
- The current rates are now relatively similar to the rates for water power rentals in Ontario and Quebec, with Ontario's rates slightly higher than Quebec's.
  - Ontario's water power rentals for higher-graphic readings in Kingsmill Crown Lands are now a component of Hydro Ottawa Distribution Design (HODD), under an agreement with the IESO, and are subject to the HODD, and related regulations, under the authority of the Minister of Finance.

- ENERGOV has a strong relationship with DFO, [redacted] takes the bulk of capital vessels under this agreement and much like [redacted] although DFO does not [redacted] DFO [redacted] ENERGOV [redacted]
- DFO [redacted] the [redacted] 2022 requirements [redacted] needs to be CCAC [redacted] a foreign [redacted] crew in their north Atlantic.
- **Vessel Data**: All [redacted] crew should not be learned from the current rate under
- **Safe Operations**: Every crew has ENERGOV aircraft all [redacted] vessel that, but could
- **Safety Briefing**: Flights on fresh rates stowed for the owner, as to instantly the [redacted]

[redacted]

CANADA ONTARIO

1. ___Ministerial Lending Directive - OCS Loan to OCRC

- The Cannabis Secretariat is seeking a loan of up to $970M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set-up costs. [Loan assistance will be provided to the OCRC through the Ontario Cannabis Store.]
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- Given the timing of the loan request and the fact that the OCRC will require a ministerial Lending Directive authorizing it to make the loan.
- In addition, Bill s. 25 approval by the Minister of Finance will be required.
- Approval of the loan request is being sought in principle ready for the Minister's signature before the holiday break, subject to no objections.
- The loan agreement is said then be finalized for execution by OCRC and the CSL in early January (January).

- [redacted]
  - [redacted]
  - [redacted]
  - [redacted]
- [redacted]
  - [redacted]
- [redacted]
- [redacted]
  - [redacted]
  - [redacted]
- [redacted]
- [redacted]

S. Lewis to Lt. Michael Fothergill (E&M) on HOSPF

- E&M has approved both MCHLTC and OOL on Jennifer loan from the CDLR motion to finance the merging of two pension plan with HOSPF. E&M has also approved the transfer of the Jennifer loan to HOSPF. Jennifer loan's capital will be repaid with interest. 1. 2018 and its 30km's ready to work on the project. 2. The Jennifer loan's interest rate will be 3% for the first year and higher due to changes to HOSPF benefits that will take effect January 1, 2018.
    - Estimated loan amount is $420 million for a term of 25 years.
    - Interest rate is 3% for the first year.
    - E&M has not yet provided financial details or business cases. MCHLTC is following up with E&M CEO Jennifer
- Subject to confirmation from E&M , the MCHLTC Minister will write to the Minister of Finance requesting the loan.
- Minister of Finance's briefing timelines will be needed for the CCS, to make the decision.
    - Is a 30 minutes to the Minister of Finance's office to schedule.

From:	Ronald Kwan
To:	Usman Zahid
Subject:	RE: MO Bi-Weekly Agenda
Date:	Tuesday, December 05, 2017 10:07:56 AM
Attachments:	Annotated Agenda MO Bi-Weekly Dec 5 2017_Markup2.docx

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From: Usman Zahid
Sent: December-04-17 4:14 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the MO Bi-Weekly Agenda for the meeting tomorrow. John has said that he is okay with removing the Darlington and MNDM items, however he will leave it up to your discretion.

Regards,
Usman

STATE TREATY & ASSET OPTIMIZATION INITIATIVE ISSUES

- [redacted]
- [redacted]
- [redacted]

- CPA discussed its positions on the generation stats and noted that it would like to improve a framework agreement, as was the case on the concrete used in NAESCO projects.
- CPA also discussed creating a facility
  - [redacted]
  - [redacted]
- CPA has also engaged with [redacted] to assess the feasibility of [redacted]
- [redacted]
  - [redacted]
- Capital DATC also had two phone calls with CPA, and its advisors to discuss some similar issues, and also to discuss the potential for a [redacted] Capital DATC has also engaged with [redacted] to assess the feasibility of [redacted]
- [redacted]
- [redacted]
-

- Ministry of Finance Legal are working with OPG to finalize the necessary amendments to the Agreement.
  - OPG staff are working to seek OPG approval of amendments to the Agreement by [redacted].
  - Following OPG's approval, it is recommended that the Minister of Finance approve (and sign) the amendments to the Agreement before December 31, 2022 to ensure that OPG meets its 2022 Interim Facility (IAEC) borrowing requirements for the 2022 – 2023 period.

Impact of the ONP on Cat IAUX-DCLs

- On September 1, 2022, Minister Fedeli sent a letter to the Minister of Finance providing support for a direction from the Minister of Finance to OEB to [redacted] [redacted] [redacted]

- ENERDOC has a strong relationship with DFG, [illegible] takes the bulk of project funding under this application and bound the amount [illegible] although DFG does not [illegible] the project [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].
- [illegible] is [illegible] 2022 negotiations [illegible] [illegible] to the COAC policy, [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

**Action Item: [illegible] [illegible] [illegible] [illegible] [illegible]

ISSUE ISSUES

- **[redacted] Lending Directive - OCS Loan to OCRC**
- The Cannabis Secretariat is seeking a loan of up to $650M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set up costs. [redacted]
- Recently introduced legislation establishing the new corporation is targeted to be passed before the House rises in December.
- OCRC's Board is expected to be appointed shortly after the legislation is passed.
- The loan will be provided through a Lending Directive to the OCRC which requires a ministerial Lending Directive authorizing it to make the loan.
- In addition, S.4. s. 25 approval by the Minister of Finance will be required.
- Approval of the Lending Directive and s. 25 approval are being made by the Minister's signature outside the holiday break, subject to no objections.
- The loan agreement is said then be finalized for execution by OCRC and the CSS. In early second January.

- [redacted]
  - [redacted]
    - [redacted]
    - [redacted]
  - [redacted]
    - [redacted]
- [redacted]
  - [redacted]
- [redacted]
  - [redacted]
  - [redacted]
- [redacted]
- [redacted]

S. Lewis-Sol.G. Michael Fortnightly (EAM) re: HOOPP

- CAIP has approved MOHLTC and OCG, in principle due from the (CSLP) motion to finance the merging of two pension plan with HOOPP. CAIP has approved the merging of the two plans with HOOPP. Effective date of the merger is January 1, 2018 and for Bill to apply to current members and be reported 60 January 1, 2018 and for Bill to apply to current members and be reported 60 January 1, 2018 benefits. Bill to apply to current members and be reported 60 January 1, 2018 benefits. Bill to apply to current members and be reported 60 January 1, 2018 benefits.

From: Usman Zahid
To: Ronald Kwan
Subject: RE: MO Bi-Weekly Agenda
Date: Wednesday, November 22, 2017 11:34:58 AM
Attachments: Annotated Agenda MO Bi-Weekly Nov 21 2017_Markup.docx

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Hi Ron,

Attached is the updated Agenda. Mara has said that the OCGC item was not included as it was being signed off at the DM level.

Regards,
Usman

From: Ronald Kwan
Sent: Tuesday, November 21, 2017 5:58 PM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi Usman,

See attached.

Ron

From: Usman Zahid
Sent: Friday, November 17, 2017 5:44 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the proposed MO Bi-Weekly Agenda for next week's meeting. Jonathan had asked that we include the OMAFRA Trillium Trust item. I passed this information on to SIFB, and they are okay with including it, however they did note that we are not coordinating the sign-off for the Minister. The sign-off was determined by CQSD and they are leading this, and as such would be in the best position to provide more information.

Regards,
Usman

STATE TREATY B. ASSET OPTIMALISATION RELACTED ISSUES

A. BTCU credit Facilities

1. Current Facilities

- On June 15, 2017, shell finalized the CDL BTCU credit facility for €2 billion for the purpose of the Fight to and Tour (the "Project").
  - The revolver of the CDL BTCU facility currently more than €800 million drawn.
  - On November 30, 2027, with the €2 billion facility now in place, the €275 million facility is scheduled to be reduced to €275 million. The date is for nominal purposes only concerning reverse to maintain and the transition to the new €2 billion facility.

(a) (1) Facilities

(a) (1) Facilities The parties made technical amendments to the existing BTC lending agreements.

- In the amended CDL credit facility agreement and the new TKP facility agreement, the most current amendments were made to add to the definition of "Permitted Liens".
- This was to facilitate the BTCU to enter into a Security Agreement with CPC Trust Company, N.A., as collateral agent, pursuant to which the BTCU and the Shah Deniz Project agreement lenders obtained by the BTCU would be considered to be "Permitted Liens" under the CDL BTCU facility agreement. The amendment agreements amend the definition of the term "Permitted Liens" to any liens, charges or other encumbrances created under SPC. The Security Agreement expires on the first four years of the PDP.
- The same recognized parties need to be made to the DFC facilities to allow for the Security Agreement to be executed.
- According to BTCU staff, TK, the other entity with the credit arrangement with the BTCU, has already granted the change following BTCU's request.

(b) Impact of the TKP- and Gas Add-Ons

- On November 30, 2027, Hochtresser sh'Congy sent a letter to the Minister of Finance of the Republic of Kartveli (the "Minister of Finance") requesting that it allow for discussions with affiliated BTCU on the potential impact of GA- defined on production and operations associated with the Project for the purposes aforementioned.
- As per [illegible] and the BTCU shell commence public consultations with affected Parties to request their views on how GA- defined would be [illegible] the calculation of criteria used to determine escalation of [illegible]

Ottawa River Water Protection Act

- Ryan Greenberg (C, ECP) is meeting with Cabinet Office, MECP, ENERGY and NDCP now held to discuss an upcoming negotiation between Ontario and Quebec on water [redacted] Ryan Greenberg (C, ECP) is meeting with Cabinet Office, MECP, ENERGY and NDCP now held to discuss an upcoming negotiation between Ontario and Quebec on water [redacted] [redacted] [redacted]

Ask: [redacted] - Help: Who Lucan Would Talk Substantive Ask On Last

- The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) (and the Ministry of Finance (MOF)) are seeking (in 10 MBC) on December 20 the sooner Ministry of Finance (MOF) can seek (by no later than January 15, 2024) Treasury Board support from the Ontario Trust.
- Given the request for an appropriation increase, MOF/OSLTBS staff advised OMAFRA and MOF that the submission should also request additional support from the Ontario Trust. This additional support would be for:
  - Extra time [redacted] for the Ministry of Finance (CSD) to re-conditioning the required changes and Minister's Agro-AT (CSD) should be in a position to recommend to Treasury Board by January 15, 2024.

Ask: [redacted] Lending Incentive - OFA Loan to AGRI

- The Cannabis Secretariat is seeking a loan of up to $600M for the Ontario Cannabis Retail Corporation (OCRC) to move the corporation to set up shop. Loan assistance would be provided through the Ontario Financing Authority (OFA).
- Recently introduced legislation establishing the new corporation is expected to be passed before the House rises in December.
- Prior to entering into a loan agreement with the OCRC, in late December, the OFA will require a Minister's Directive from the Minister of Finance. Additionally, the OFA will require a Treasury Board Order. In addition, TCA s. 15 approval by the Minister of Finance will be required.

3. Lucan to Ex. Michael Lethaghan [CAN] on HOOP

- CAM has approached MOH, EC, and OOL on possible loan from the OSELP books to finance the merging of two premium plan with HOOP. Each of the three ministries have agreed to the loan, however, CAM has been unable to come with the required 60 January 1, 2024 ACTS. Mike's needs to commit to the loan by January 15, 2024 in order to meet the deadline for the Minister's Order (Set 30 Changes to HOOP Act/MB) that will take effect January 1, 2024.
  - CAM is seeking a loan of $600M from the OFA
  - CAM to provide business case to support their loan request
  - OOL to draft preliminary term sheet
- The entire TC Minister will have to write to the Minister of Finance requesting this loan.
- The Minister of Finance will need to provide a directive to the OFA to make the loan.

From: Ronald Kwan
To: Usman Zahid
Subject: RE: MO Bi-Weekly Agenda
Date: Tuesday, November 21, 2017 5:57:45 PM
Attachments: Annotated Agenda MO Bi-Weekly Nov 21 2017_Markup.docx

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Hi Usman,

See attached.

Ron

From: Usman Zahid
Sent: Friday, November 17, 2017 5:44 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the proposed MO Bi-Weekly Agenda for next week's meeting. Jonathan had asked that we include the OMAFRA Trillium Trust item. I passed this information on to SIFB, and they are okay with including it, however they did note that we are not coordinating the sign-off for the Minister. The sign-off was determined by CQSD and they are leading this, and as such would be in the best position to provide more information.

Regards,
Usman

ARBITRATION JUDITHA
DEC 6/FILED 20 - October 26, 2017

STATE TREATY 'A - ASSET OPTIMISATION INITIATIVES- ISSUES

A. BTCU credit Facilities

- **Background**
- On June 9, 2017, shell finalized the $3b BTCU credit facility for $2 billion for the purpose of the Fort Hyland Terminal.
- The balance on the Fort Hyland Terminal currently more than $900 million drawn.
- On November 30, 2027, with the $2 billion facility now in place, the $275 million facility is scheduled to be reduced to $275 million. The dials to for nominal capacity of the incoming tokamak to market and the transition to the new $2 billion facility.

BTCU Facilities

- **Shell and the Partners** to make technical amendments to the existing BTCU lending agreements.
- In the amended $3b credit facility agreement and the new 'PAY' facility agreement, a Material Loan amendment to cover made to vote to the definition of 'Permitted Loans'.
- This was to facilitate the BTCU to enter into a Security Agreement with DFC Trust Company ("DFC") to secure the Fort Hyland Terminal Bonds and the Fort Hyland Energy Lab payment bonds obtained by the BTCU would be considered to be Permitted Loans. The Material Loan amendment to the credit facility agreements allows the definition of this term is amended to allow for any bank, trust company, or financial institution other than DFC. The Security Agreement expires on the first four years of the PAY.
- The same issues would need to be made to the DFC facilities to allow for the Security Agreement with DFC Trust Company.
- According to BTCU said: 'So, the other entity with the credit arrangement with the BTCU, has already granted the change following BTCU's request.

Payment of the PAY- and Earn-Add-Ons

- On November 30, 2027, Hutchinson sh'l hung, sent a letter to the Minister of Finance, Mr. Ryan Hutchinson, requesting that the Minister of Finance ("MOF") to allow for discussions with affected BTCU on the potential impact of CIC deferral on the Fort Hyland Terminal Bonds and the Fort Hyland Energy Lab payment bonds (the "Bonds").
- It is the [redacted] position that the CIC for facility payment be deferred immediately.
- In addition, [redacted] shell for DFC would terminate both concurrences, and reflected the future impact that it does not New CIC deferral would be [redacted] the calculation of Indices used to determine escalation of [redacted]

Ottawa River Water Flows Act

- Ryan Greenberg (C, ECP) is meeting with Cabinet Office (MOST, FAFRO) and MJOT next week to discuss an upcoming negotiation between Ontario and Quebec on water flows in the Ottawa River watershed. Ontario's position is that [redacted] and Quebec's position is that [redacted]. Ontario and Quebec will each be Hydro Quebec on Ontario and by OPG in Quebec. [redacted]
- [redacted] Ontario is concerned that Quebec will [redacted]
- Whether [redacted] MOST staff expect that the ministry has not yet established a position on the issue, but noted that MOST may prefer that any [redacted]
- Ryan Greenberg (C, ECP) is meeting with Cabinet Office (MOST, FAFRO) and MJOT next week to discuss an upcoming negotiation between Ontario and Quebec on water flows in the Ottawa River watershed. Ontario's position is that [redacted] and Quebec's position is that [redacted]. Ontario and Quebec will each be represented by Hydro Quebec on Ontario and by OPG in Quebec. [redacted]
- [redacted] Ontario is concerned that Quebec will [redacted]
- Whether [redacted] MOST staff expect that the ministry has not yet established a position on the issue, but noted that MOST may prefer that any [redacted]
- Ryan Greenberg (C, ECP) is meeting with Cabinet Office (Management Board Secretariat) and MJOT next week to discuss an upcoming negotiation between Ontario and Quebec on water flows in the Ottawa River watershed. Ontario's position is that [redacted] and Quebec's position is that [redacted]. Ontario and Quebec will each be represented by Hydro Quebec on Ontario and by OPG in Quebec. [redacted]
- [redacted] Ontario is concerned that Quebec will [redacted]
- Whether [redacted] MOST staff expect that the ministry has not yet established a position on the issue, but noted that MOST may prefer that any [redacted]
- Ryan Greenberg (C, ECP) is meeting with Cabinet Office (Management Board Secretariat) and MJOT next week to discuss an upcoming negotiation between Ontario and Quebec on water flows in the Ottawa River watershed. Ontario's position is that [redacted] and Quebec's position is that [redacted]. Ontario and Quebec will each be represented by Hydro Quebec on Ontario and by OPG in Quebec. [redacted]
- [redacted] Ontario is concerned that Quebec will [redacted]
- Whether [redacted] MOST staff expect that the ministry has not yet established a position on the issue, but noted that MOST may prefer that any [redacted]
- If EMA is unwilling to schedule the Greenberg-Tuplin loop, briefer discussion on the development of Ontario's position on Ottawa River water remains through [redacted] Ontario and Quebec on Ottawa River flows.
- The current 25-year agreement ends soon in the end of 2027 and has included significant increases over that period.
- Ontario is seeking a [redacted] update to the rates for water power rentals to each of Ontario and Quebec for power dams on Provincial Crown Lands.
  - Ontario water power rentals [redacted] Rent Harmony Act, 2006 and related regulations, under the authority of the Minister of Finance.
- Ontario's position is that [redacted] and that [redacted] and not be seen as setting an overtly precedent for Ontario's [redacted]. [redacted]

- Ontario's position is that [redacted] and that [redacted] and not be seen as setting an overtly precedent for Ontario's [redacted]. [redacted]
- Ontario's position is that [redacted] and that [redacted] and not be seen as setting an overtly precedent for Ontario's [redacted]. [redacted]

Chatham-Lake Erie Initiative (CLEI) Meeting Agenda

- Briefing note sent the Chief and the Deputy scheduled for November 22.

- Reminder note to MOST [redacted] about the upcoming CLEI.

4. [redacted] - Hold: Would Like Landowners Bid Bill 245

- The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and the Ministry of Finance (MOF) are seeking to: (1) defer, or (2) terminate (if no longer required) the Hold on [redacted] Bid Bill 245 to allow landowners to bid on the support from the Tilbrook Trust.
- Given the request for an appropriation increase, MOF/OSLT&R1 staff advised OMAFRA staff that the submission should also request additional support from MOF. MOF staff also recommended that OMAFRA:
  - Notify the [redacted] that the Ministry of Finance (CSD) is coordinating the required changes and Minister's Agro-AT (CSD) should be in a position to communicate the decision by mid-December.
- **[redacted] Ltd. (Medicinal) Lending Secretar - OCC Loan to NCRC**
- The Cannabis Secretariat is seeking a loan of up to $600M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set-up costs. Loan assistance is required before the OCRC can borrow from the OFA.
- Recently introduced legislation establishing the new corporation is expected to be passed before the House rises in December.
- Prior to entering into a loan agreement with the OCRC in late December, the OFA will require a business case from the OCRC, as well as a Treasury Board Submission (TBS) and Minister's Directive. In addition, TCA s. 15 approval by the Minister of Finance will be required.

5. Loan to Ex. Michael LeVaughan [redacted] for HOOP

- OSR has approved the HOOP, and OCC, as possible loan from the CISLIP books to finance the merging of two premium plan with HOOP. Each of the premium plans have a loan with OSR. Mr. [redacted] has requested a loan with an expected fill January 1, 2024 for $1.75m. Mike's needs to close on the purchase of the property by December 31, 2023 and will require funds higher than 20 Charges to HOOP. HOOP has until next effort January 1, 2024.
- Mr. [redacted] has requested a loan for $1.75m to:
  - OSR to provide business case to support their loan request.
  - OCC to draft preliminary term sheet
- The entire TC Minister will have to write to the Minister of Finance requesting this loan.
- The Minister of Finance will need to provide a directive to the OFA, to make the loan.

From: Usman Zahid
To: Ronald Kwan
Subject: RE: MO Bi-Weekly Agenda
Date: Monday, March 26, 2018 8:57:53 PM
Attachments: Annotated Agenda MO Bi-Weekly March 27 v2.docx
ATT00001.htm

Hi Ron,

Attached is the updated agenda.

Regards,
Usman

From: Ronald Kwan
Sent: Monday, March 26, 2018 1:52 PM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-Weekly Agenda

Hi,

Some suggestions.

Thanks,
Ron

From: Usman Zahid
Sent: March-26-18 11:56
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-Weekly Agenda

Hi Ron,

Attached is the Agenda for tomorrow's meeting. IGB has included an item for discussion.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: March 27, 2018

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

CEFD ITEMS

1. Upcoming Asset Optimization Treasury Board Submissions

CEFD is developing a couple of notable submissions to Treasury Board to support the Province's asset optimization initiative.

Financial Benefit to OEFC – s.50.3 of the Electricity Act

- Following TB approval, the Minister will also be asked to sign a certificate of remission, to allow the payment to be made by forgiving amounts owed by OEFC to the Province. The debt remission is currently scheduled for May 23rd and June 20th of 2018.

Seaton Lands

- CEFD continues working with MOF Legal and Leg. Council to ensure that the net proceeds from any sales in 2017-18 can be credited to the Trillium Trust.

i. Requires that the applicable properties be designated in a Treasury Board regulation as qualifying assets under the Trillium Trust Act before the books of the Province close for the 2017-18 fiscal year.

- At this point all viable options will be after March 31, 2018 but before the Province closes the books for fiscal 2017/18:

i. To file a "high-level" description of Seaton that would be completed with details as each parcel is sold. OFA, MOF Legal and Leg. Council are working on solving or mitigating the lack of precision with respect to the description of the Seaton Lands.
   - Note that if the reg. ends capturing more than the lands intended for sale there may be a need in the future to amend the regulation to carve out those properties and any unintended consequence.

ii. To file a detailed TB regulation once the sale agreements are available. However, IO has yet to provide a precise description of the lots and has indicated that as part of the transactions new PIN numbers will be filed so the current land registry information cannot be used.

- Given the need to proceed before the books of the Province are closed, staff are recommending proceeding with a "high-level" description if further information is not received before March 31st, 2018.

2. Transfer of Hydro One corporate tax to OEFC – s. 91.2 of the Electricity Act

- Following the initial public offering, Hydro One exited the PILs regime and became subject to paying federal and provincial corporate taxes to the respective governments.
- Under s. 91.2 of the *Electricity Act, 1998,* the Minister of Finance has a statutory requirement to pay to the Ontario Electricity Financial Corporation (OEFC) an amount equal to HOI's Ontario corporate tax payable each year.

- This helps OEFC to service and pay down the electricity sector stranded debt.

- The 2017-18 amount is $23.7 million. Payments under s. 91.2 are fiscally neutral on consolidation being offset by Hydro One corporate tax paid to the Province.

3. OPG Business Plan Treasury Board for Concurrence

- As required by the Memorandum of Agreement between OPG and the Minister of Energy, OPG provided its Business Plan for 2018-2021 to the Minister of Energy on February 12, 2018 for concurrence.

- Concurrence of OPG BP requires presentation of the business plan before the TB/MBC. CEFD staff understand that Energy is targeting a Treasury Board date in April.

- CEFD provided comments on the presentation on the BP review and fiscal impact projections.

4. Fair Hydro Plan – Equity Injection

- On March 22, 2018, OPG has confirmed the receipt of the second equity injection of $202.4M. The Province received 4,627,343 Class A shares at a price of $43.74 per share.

- This represents 44% of $460M, the purchase price of the investment asset from the December 2017 to February 2018 period.

- Fiscal year equity injections total $721M compared to prior forecasts of $853M IOD forecast and $1.1B in Ministry of Energy 2017-18 Estimates (which had been based on an up to full-year implementation).

- The OFA carried out the equity injection, on behalf of and as facilitated by the Ministry of Energy.

5. Environmental Commissioner of Ontario

- ECO approached the Minister of Energy with questions on how the government plans to fund decommissioning and nuclear waste activity arising from the nuclear stations.

- Energy and CEFD provided some responses to ECO staff -- that the government and OPG entered into the Ontario Nuclear Funds Agreement (ONFA) to ensure that enough funding is available to deal with future decommissioning and nuclear waste management.

- ECO has been "questioning" why the Reference Plan on cost and liability estimates developed by OPG and approved by the Province, in accordance with ONFA, is confidential. ECO has also questioned how the public can know if enough technical due diligence is conducted in ensuring that the estimates contained in ONFA are sound and prudent enough.

- ECO may publish a report that discusses the topic.

6. Request from Chiefs of Ontario Committee on Energy

- The Chiefs of Ontario, as represented by their Ontario Chiefs Committee on Energy, have sent a letter to Minister Sousa seeking support for the expansion of the First Nations Delivery Credit. They have requested a meeting to discuss this further.
  - Through the First Nations Delivery Credit, on-reserve First Nations households receive a 100 per cent credit to fully off-set the costs covered by the Delivery line on their electricity bills.
  - This credit is funded through the tax base.

- In the letter, the Chiefs indicate that they have been working closely with the Ministry of Energy and their staff to discuss expanding the First Nations Delivery Credit to "band-owned buildings".
  - They have also indicated that Energy included this $10 million request in their budget submission.
  - Staff at OFA and Treasury Board have not seen details about any such proposal.

- The Office of the Budget has indicated that this was not included as a document initiative. They stated that Energy/MOF received direction from PO not to proceed with the item.

- Energy staff indicated that it is their understanding that one of the Chiefs met with the Minister of Finance earlier this year and brought up this issue.

7. Aboriginal Loan Guarantee Program (ALGP)

<u>Metis Nations of Ontario</u>

- The board of the Metis Voyager Development Fund ("MVDF", which is a subordinated supplier of capital to the investment for approximately $1 million plus accrued interest and fees) had taken longer than anticipated to approve the required Inter-creditor Subordination Agreement under the Guarantee Agreement that had otherwise been negotiated last year.

- Prior to the execution of the Inter-creditor Subordination Agreement, MVDF's counsel is said to be formalizing the agreement for the amortization of their loan. After consultation with the Borrower and its counsel it is unclear why MVDF or its counsel have been slow to complete the required documentation.

- Counsel for the Borrower has stated that all other agreements are now executed by the Borrower and the other MNO entities applicable under the loan and guarantee agreements.

- As soon as Borrower's counsel has received the executed Inter-creditor Subordination Agreement staff will be able to confirm the loan closing date with Borrower's counsel and, along with MOF legal and the ALGP due diligence service provider, complete confirmation that all conditions precedent are met under the Guarantee Agreement for the Confirmation of Guarantee. At that point, the lender, TD, and Borrower will be able to finalize the close of the guaranteed loan.

<u>Watay</u>

- Staff are also working on the ALGP application with respect to the Wataynikaneyap Power LP project to connect 16 remote communities in the northwest to the transmission grid.

- Energy received TB approval to enter into an MOU with respect to support for the Watay project. A public announcement with the Premier, Minister of Energy, federal Minister of Indigenous Services and Watay was made March 22, 2018, in Thunder Bay. The announcement mentioned provincial financing of $1.3 billion, backstopped by federal funding of $1.6 billion.

- The First Nations LP majority partner in Wataynikaneyap Power has also applied to the Aboriginal Loan Guarantee Program and written the Minister of Finance on its application.

8. Constance Lake First Nation (CLFN) Meeting

- Algonquin Power (Nagagami) Limited Partnership is a non-utility generator (NUG) with a legacy, former Ontario Hydro, power purchase agreement (PPA) with OEFC. The partners are Brookfield and CLFN.
- Potential options to generate additional benefits for CLFN have been discussed and currently the option of "as if" debt forgiveness appears to be more viable, from an implementation perspective, than others.
    - Under this option, the additional benefits that would be made available if some or all of the generator debt related CLFN's partnership share were "forgiven" is estimated. The actual generator debt would not be forgiven.
    - To implement this option, a payment adder to the PPA is being discussed that would provide a benefit solely to CLFN up to an amount equivalent to the

estimated distributions from the project that would result if all or a portion of the currently outstanding Generator Debt were not outstanding.

- In the past, OEFC has agreed to amend a PPA with a NUG to provide additional payments when circumstances warranted (e.g., addressing financial distress to sustain required supply / renewable energy).
    - In this case, justification for providing such support, consistent with OEFC's mandate and past precedents, was not evidenced in discussions and due diligence.
    - In this case, any additional benefits that would be provided to the NUG would be conditional on it going solely to the benefit of CLFN, based not on financial distress of the NUG, but a shortfall in CLFN's original expectations from the project.
    - Prior to the IESO hydrology adjustment, put in place in 2017, CLFN had not received any financial distributions related to the plant.
    - OEFC's mandate, in managing the NUG contracts, does not include targeting benefits to one partner versus another.
- Direction from the Minister of Finance and/or support from the Minister of Energy may be required in order to allow for the implementation of a price adder.
    - The Minister of Energy had written the Minister of Finance in May 2017 suggesting that the Minister of Finance have OEFC have discussions with CLFN and Brookfield on generator debt options to provide a benefit to CLFN.
    - A letter from the Minister of Finance on an update on the discussions, and seeking such support from the Minister of Energy, has been drafted.

IGB ITEMS

9. MNO

- Formal negotiations with the MNO with respect to broadening the ownership of Hydro One commenced in October 2016

- In June 2017, the Provincial negotiating team received flexibility to offer up to $25M in cash, subject to final TB / MBC approval. A cash mandate was required as MNO did not feel a loan and share purchase agreement similar to the FN transaction would provide enough immediate access to capital

- Several negotiating meetings took place and on November 17, 2017, MNO sent a letter to the Province with a proposal for $27.5M cash, exclusive of negotiation costs and requiring a commitment from the Province to establish an energy table.

- The Province has indicated a willingness to take back the offer to decision makers

- MNO has indicated that the PCMNO has agreed to the amount and they are working through governance of the investment vehicle.

- MNO has indicated that they intend to create a new investment vehicle that would hold the cash contribution, rather than use the Infinity Investment trust that is already set up. MNO would seek approval of the new structure at the Annual General Assembly in August 2018.

- MNO has asked for the Province to enter into agreements in April 2018, at which time the funds would be transferred to an escrow account to be held until closing. Closing would not occur until all conditions precedent are met (including approval of the Contribution Agreement and investment vehicle).

Next Steps

- The Ministry of Energy is working through the procurement of an Escrow Agent, and is working with MOF/TBS to secure section 28 approval as any Escrow agent will require an indemnity.

- The Ministry of Energy continues to work with MNO on a term sheet and is tentatively tracking to TB/MBC on April 10th

- Subject to TB/MBC approval in April, definitive agreements would be entered into and funds would flow to the Escrow Agent. If MNO meets all conditions precedent following its August Annual General Assembly, the funds would be released from Escrow and flow to the MNO vehicle.

OTHER CEFD ISSUES

10. Ministerial Approval of IO Borrowing By-Law and Line of Credit with the OFA

- The Minister of Infrastructure, on behalf of Infrastructure Ontario (IO), is seeking s.28 approval from the Minister of Finance to allow IO to enter into a new credit facility agreement for a $100 million revolving line of credit with the OFA, and assume any contingent liabilities contained in the lending agreement between the OFA and IO.
  - This credit facility will replace a prior revolving credit facility agreement dated June 23, 2006 for $200 million which expired on June 29, 2016.

- The Ministry of Infrastructure is also seeking approval from the Minister of Finance for IO's by-law 3V which authorizes Infrastructure Ontario to draw down its line of credit with the OFA.

- Minister of Finance approval is required this week as IO needs to have the facility in place by March 31, 2018.

11. Loans to St. Michael's Hospital (SMH) and Grand River Hospital (GRH) re: Pension Transfer to HOOPP

- SMH has approached MOHLTC and OFA re: possible loan from the OFA/Province to finance the merging of their pension plan with HOOPP. SMH does not have sufficient assets to finance the higher cost of HOOPP benefits. SMH is now proposing a merger effective date of July 1, 2019, but this date is subject to change as negotiations between SMH and HOOP are on-going.
  - The deadline for executing the Merger Agreement was extended to March 27, 2018 but may be extended to April 30, 2018 as HOOP is looking for assurance that SMH will have financing lined up to cover the pension deficit. This assurance could take one of three forms of (i) a guarantee from the Minister of Health that MOHLTC will backstop any loan from the OFA to SMH; (ii) a firm offer from a private sector lender to provide a loan for the required amount; or (iii) a firm offer from the OFA to provide a loan for the required amount.
  - Latest estimate of the loan amount is $100 million for a term of 35 years. Estimated loan amount could change again on April 3, 2018 which is the date of the next valuation of the of the pension deficit payment.
  - Financing must be in place within 120 days of the merger effective date when the asset transfer plus the final deficit payment (with interest) to HOOP will occur.
  - SMH has drafted an initial business case to support their loan request.
- In addition, Grand River Hospital (GRH) has approached the OFA about financing the merging of their pension plan with HOOP. Current estimate of loan amount is $28 million.
  - GRH has not yet provided a business case to support their loan request.
- The MOHLTC Minister intends to write a letter to the Minister of Finance requesting that the Province provide loans to SMH and GRH respectively.

- HOOP is looking for a “commitment letter” from the Province assuring them that provincial loans will be provided to these hospitals by the merger effective date.
    - OFA (with input from MoF Legal) drafted a comfort letter from the Minister of Finance to HOOP noting that the OFA is prepared to provide a loan to SMH provided that the requisite government approvals have been obtained.
    - HOOP expressed concern with the potential time required to secure government approvals.
    - HOOP noted that it would be satisfied to receive a letter signed by the Minister of Health noting that the Province was supportive of the SMH and GRH pension plan mergers and MOHLTC would backstop OFA loans made to these hospitals.
- Minister of Finance Lending Directive will be needed if these loans are to be made through the OFA.
    - FAA s.28 approval from Minister of Finance will also be required.
    - MOHLTC has been advised that it will have to backstop OFA loans to St Mike’s and Grand River either through a debt service guarantee or the intercepting of provincial grants to these hospitals.

12. Ottawa Convention Centre (OCC) – Deloitte Interim Report

- As directed, the OFA advanced a loan to the OCC on September 1, 2011 for $40 million as part of the overall funding/financing of the redevelopment and expansion of the original convention centre built in 1983. The loan is for 25 years and matures on September 2, 2036.
    - Due to the OCC’s financial challenges, the OFA was directed to give this loan a “payment holiday” from September 4, 2012 to September 4, 2018. When payments recommence the annual repayment amount will be $4,048,240 to September 2, 2036.
    - On April 27, 2017, OCC wrote to OFA requesting a release from its debt obligations.

From:	Ronald Kwan
To:	Ronald Kwan
Subject:	RE: MO Bi-weekly Agenda
Date:	Tuesday, September 26, 2017 6:12:56 PM
Attachments:	MO Bi-Weekly Sept 27 2017 CEFD_v2.docx

From: Ronald Kwan
Sent: September-26-17 17:36
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Usman,

See attached.

Ron

From: Usman Zahid
Sent: September-25-17 13:27
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Mara has asked to include a few additional edits. Attached is a markup relative to the version I send earlier today.

Regards,
Usman

From: Usman Zahid
Sent: Monday, September 25, 2017 11:20 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Attached is the proposed MO bi-weekly meeting agenda for the Wednesday, September 27, 2017 meeting.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: September 12, 2017

1. OPG / Province – Financial Guarantee with CNSC

- The Canadian Nuclear Safety Commission (CNSC) is holding a public hearing on October 11th in Ottawa regarding OPG's proposed 2018 – 2022 financial guarantee with the CNSC.
    - OPG's licence requirements require that OPG provide the CNSC with a financial guarantee to cover its nuclear decommissioning (including waste management) liabilities.
    - Under ONFA, the Province agrees to support OPG's financial guarantee requirement to the CNSC.
    - To-date, the financial guarantee has been satisfied by an agreement to provide CNSC access to the ONFA funds under certain circumstances, and a direct Provincial guarantee agreement to the CNSC. The Minister of Finance has previously signed both agreements on behalf of the Province.

- OFA, and MOF Legal staff attend the hearing on behalf of the Province and may be required to answer questions from the CNSC Members.

- Staff are preparing a briefing deck for the Minister in advance of the hearings, as the CNSC will be seeking confirmation on the Province's support of OPG's financial guarantee submission.

- The value of the segregated funds are currently sufficient to cover OPG's proposed financial guarantee requirements, and, therefore, OPG's proposal to the CNSC to satisfy the financial guarantee requirement relies solely on the value of the funds, without the requirement for a direct Provincial guarantee to the CNSC.
    - The Province is expected to receive questions on the proposed approach with no Provincial Guarantee.

2. Ontario Nuclear Funds Agreement (ONFA) Technical Amendment and CNSC public hearing

- As indicated at the time of the post-ONFA Reference Plan approvals in 2016-17, CEFD staff have worked with MOF Legal on drafting a technical amendment to ONFA to include the Bruce Power Radioactive Waste Operations Site 1 (RWOS1) and the Bruce Power Central Maintenance and Laundry Facility (CMLF).
    - Follows direction from the Canadian Nuclear Safety Commission (CNSC) to include these cost estimates as part of the calculation of and inclusion in OPG's financial guarantee requirement to the CNSC (and the Province's guarantee to the CNSC, if required).
    - The Provincial Guarantee to the CNSC has historically been calculated as OPG's financial guarantee requirement, less the value of OPG's nuclear funds (excluding amounts due to the Province).

- Cost estimates for these two facilities are very small relative to the total nuclear liability estimate (PV$ 12M or C$44M), and, therefore, would not have a significant impact on OPG's nuclear rates.
- Amendments to ONFA require approval from the Minister of Finance.

- The draft amendment would also allow for additional costs related to licensed facilities the CNSC might obligate OPG to include in its financial guarantee requirement to the CNSC, to be added to ONFA in the future, if approved by the Province.
    - This change would streamline the approval process in the future as the addition of facilities to the ONFA would not require a full technical amendment, while still ensuring that the Province would have rights of approval.

- A final execution copy of the amendment was provided by MOF Legal to OPG for sign off on June 15th.

- CEFD staff recommends that the Minister approves the technical amendment as soon as possible, preferably prior to the CNSC hearing on October 11.

3. IESO Credit Facility

- Staff are working to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $600 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $497 million.

- 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].
- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - Staff are waiting for comments from Energy and IESO and potentially anticipate an outreach from Energy at various levels.

4. Constance Lake First Nation (CLFN) Meeting Request

- Staff understand that a response letter has been sent to the Chief of CLFN proposing a meeting with the Deputy Minister.

5. Wataynikaneyap Power L.P – Federal Contribution

- Wataynikaneyap Power LP is planning to develop and operate electrical transmission and distribution lines in northwestern Ontario (the "Project"). The Project will be financed with equity, senior debt and, as proposed by Energy, a Provincial loan to be supported by a possible contribution from the federal government. This financing structure and potential federal contribution is currently under discussion between the provincial and federal governments.
- No updates since the September 18 meeting at which Energy and its negotiator presented to PO and CO its proposal for a Provincial loan to the Project. Staff from OFA and TBS attended this meeting.

OTHER ISSUES

6. OCGC S.28 Approval of Indemnities in Sidense Sales Agreement

- OCGC staff have advised OFA that s.28 approval is required in order for OCGC to provide certain indemnities in regard to the sale of its equity interest in Sidense.
  - In the sales agreement, OCGC is required to provide ownership and authority representations and to indemnify the purchaser if those representations are inaccurate.
  - According to OCGC staff, if s. 28 approval is obtained then OCGC would be able to execute the agreement and monetize its investment in Sidense, generating a positive fiscal impact of $7.7M. If s 28 approval is not obtained, there would be a negative fiscal impact of $2.7M.
- OCGC is working with staff at MRIS on the s.28 approval request package to be signed by their Minister.
- OCGC advised late last week that the target date for signing the agreement was planned for September 25th with financial close on September 29th. Apparently this timeline is being driven by the purchaser (a U.S. public company) that would like to disclose the purchase in its financial statements for this quarter.
- OCGC staff were advised by OFA staff that s.28 approval by Monday September 25th was not feasible given that (i) MRIS has not signed off on the s.28 approval request package, (ii) OFA and MoF Legal staff need time to review the documentation and (iii) both the Minister and DM of Finance will be out of the office until Thursday September 28th.
- Staff are working as expeditiously as possible, and pending receiving a complete, signed s.28 approval request from MRIS.

7. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
  - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
  - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
  - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

From: Gavin He
To: Ronald Kwan
Subject: RE: MO Bi-weekly Agenda
Date: Thursday, July 20, 2017 7:28:41 PM

Hi Ron,

GBED has no additional items to add to the agenda. Please let me know if you are good with the latest version from Karim.

Thanks,
Gavin He

From: Karim Javeri
Sent: Tuesday, July 18, 2017 3:19 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Emily Kerr <Emily.Kerr@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ronald,

Please see attached and let us know if you have any questions.

Regards,

Karim

From: Ronald Kwan
Sent: Tuesday, July 18, 2017 2:56 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Emily Kerr <Emily.Kerr@ofina.on.ca>; Karim Javeri <Karim.Javeri@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

Has SPFB filled in the additional requested data yet?

Thanks,
Ron

From: Gavin He
Sent: July-17-17 18:15
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>

Subject: Re: MO Bi-weekly Agenda

Hi Ron,

Both SIFB and CFB are good with your edits. I will share the electricity and AO section with Scott's team for input then.

Regards,
Gavin He

On Jul 17, 2017, at 5:12 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Thanks Gavin.
>
> Was SIFB okay with the edits, and CFB too?
>
> I put in one bullet on the Provincial Support Agreement.
>
> Ron
>
> ---
>
> **From:** Gavin He
> **Sent:** July-17-17 16:57
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
> **Subject:** FW: MO Bi-weekly Agenda
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> Hi Ron,
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> Please find attached the updated agenda for your review.
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> For your first inquiry on the Provincial Support Agreement update, John prefers just to have an oral update if you are okay with that approach?
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> Thanks,
> Gavin He
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>
> **From:** Emily Kerr
> **Sent:** Monday, July 17, 2017 4:45 PM
> **To:** Gavin He <Gavin.He@ofina.on.ca>
> **Cc:** Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
> **Subject:** RE: MO Bi-weekly Agenda
>
> Hi Gavin,

I have responded to Ron's comments in the attached and added a section on the Algonquin land claim. Also attached is the date-stamped copy of the letter from the Minister of Finance to CLFN which Ron asks about in the agenda.

Emily

From: Gavin He
Sent: Monday, July 17, 2017 3:59 PM
To: John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: FW: MO Bi-weekly Agenda

Hi John/Emily,

Please see attached suggestions from Ron.

Regards,
Gavin He

From: Ronald Kwan
Sent: Monday, July 17, 2017 3:57 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

Some suggestions, as attached.

Thanks,
Ron

From: Gavin He
Sent: July-17-17 14:18
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the annotated agenda for your review.

Regards,
Gavin He

From: Gavin He
Sent: Friday, July 14, 2017 5:06 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Tuesday, July 18th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **noon on Monday, July 17th, 2017** for Ron to review? Sorry for the late notice.

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

<Annotated Agenda MO July 18 2017 CEFD_v1_Markup2.docx>

From: Ronald Kwan
To: Karim Javeri
Cc: Emily Kerr; Gavin He
Subject: RE: MO Bi-weekly Agenda
Date: Tuesday, July 18, 2017 3:34:51 PM

Thanks Karim.

Ron

From: Karim Javeri
Sent: July-18-17 15:19
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Emily Kerr <Emily.Kerr@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ronald,

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Regards,

Karim

From: Ronald Kwan
Sent: Tuesday, July 18, 2017 2:56 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Emily Kerr <Emily.Kerr@ofina.on.ca>; Karim Javeri <Karim.Javeri@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

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Thanks,
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> **Subject:** RE: MO Bi-weekly Agenda
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From:	Karim Javeri
To:	Ronald Kwan
Cc:	Emily Kerr; Gavin He
Subject:	RE: MO Bi-weekly Agenda
Date:	Tuesday, July 18, 2017 3:18:56 PM
Attachments:	Annotated Agenda MO July 18 2017 CEFD_v1_Markup3_SPFB.docx

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- CLIFN also sent a letter to the Minister of Finance requesting their discussions take place in keeping of UN, Ecolchild and UNDP, regarding advancing the governance debt and the Financial Management Board (FMB) and the Framework Agreement – see with MOFI and NCSO.
  - In view of the Liability Act as entered into a Treaty and Indians remain responsible for the operation of the facility and has Consistent Lake may become a most active participation in the Liability Act as entered into a Treaty and Indians remain of the facility. It also provided for transfer payments to CLIFN, to provided the borrowed (e.g., legal and financial consulting services) to engage in the negotiations.
- Subsequently, on July 7, 2021, the Minister of Finance sent a response to CLIFN, [redacted] [redacted] [redacted]

Tyranni Royalty Reporting Obligation Change Request

- Tyranni and Tyranni's Board of Directors (the "Board") have received both a 2024 and 2025 request from Tyranni's Chief Executive Officer, Mr. Ethan Pierce, to change the royalty reporting obligations under the Supplemental Royalty Payment Agreements (SRPAs) to 2011. Tyranni has brought forward this request to change the royalty reporting timing and requirements under the Supplemental Royalty Payment Agreements (SRPAs) to 2011.
  - Tyranni's current royalty reporting requirements under the SRPAs require royalty reporting statements from within 30 days of the end of each quarter (Q1 March 31, Q2 June 30, Q3 September 30, Q4 December 31) and payment to occur on and before unaudited Q4 financial statements, unless the NCE and NAC Contract agreement.
  - Tyranni's unaudited financial statements will continue to be provided as set out in the license agreements, and as per the royalty reporting requirements, a statement from Tyranni's external auditors confirming the calculation of the royalty payment will be provided within 90 days of the end of the calendar year.
  - Tyranni is also requesting that the change be made retroactively.
- Tyranni will formally request the change in pipeline numbers world-DCR, and-MLC. A response letter will be provided by the Members.
  - Similar to the letter provided in 2023 for the changes under the SSPAs, that letter will be provided to the Board of Directors prior to or at the Q4 unaudited statements at some time in the future.
- The Zinc royalty payment from Tyranni to Iron Frontiers is expected to be received by the Company on or before March 31, 2025, for the 2024 year. All Monopoly reporting is expected to be received by the end of August.

2026 Annual Lending Direction

- The Minister of Finance will be issuing a request from the CRTL to approve pursuant to the Capital Investment Fund Act (CIFA), the GRA in 2025-26 Annual Lending Direction, which will be issued by the Minister of Finance. The Minister will be in Yaoge and make an interest rate spread of up to 17.5 basis points above the Bank of Canada overnight rate.
- The 2-annual Lending Direction sets out the maximum authorized amount of the loans that may be made by the GRA in the applicable fiscal year, the terms of the loan instruments, such as obligate in accessible, and other possible, the borrower's name and the specific purpose(s) for which the loans are required, with the other terms and conditions that the Minister of Finance considers appropriate. Under the new investment Policy Minister, Chairman and Member for Finance Fabian Zhao, or a person designated by either of them for approval.

__College Class-Exemption Regulation

- MoECD Minister has said to expect to the Minister of Finance his or limited-college class-exemption regulation under revising Rule s 258 based on materiality thresholds, and MoF agrees.
- It's assumed that colleges are not going to be exempted entirely at this time (matching practice of regulations under the revised legislation ...) including business-college and private-training-college (PTE) sectors.
- MoF Legal has prepared drafting instructions to copy Connect to college-class exemption based on materiality thresholds, and MoF legal anticipates that there will be no issues with the drafting instructions from MoECD Legal.
- A Ministerial approval package is targeted to move forward in late-August.

__MoECD Loan Program for Energy Retrofit Projects at Colleges and Universities

- MoECD (MoECD) will be seeking Treasury Board approval on July 29th of a $500M loan program through the CEIS Investor energy retrofit projects at colleges and universities.
  - MoECD has been asked to provide a cashed letter signed by their Minister to the Minister of Finance by Wednesday, August 2nd.
- MoECD staff are requesting a c$10-class exemption-specific in this program as some of the projects will exceed the materiality threshold amounts set out in the current college-exemption regulation.
  - MoF legal will be preparing drafting instructions for copy Connect.
- Ministerial approval of the regulations will likely be sought in early August.

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- CLIFN. also sent a letter to the Minister of Finance requesting their discussions take place in Nisga'a (CLIFN, Kwakiutl and UFFC requesting advocacy for borrowing rates and a letter of support for the Province to provide to the federal government – see with MIRR and NICE)
  - In order that CLIFN's letter is also entered into a Treaty proceeding which acknowledges the Province's mandate to examine options regarding operations of the facility and how Consistent Labs may become a more active participant in the future, Consistent Labs has not been involved in operations of the facility. It also provided the transfer payments to CLIFN, as provided the agreement (e.g., legal and financial consulting services) to engage in the negotiations.
- Sandstone Bay: On July 7, 2021, the Minister of Finance sent a response to CLIFN. (Sandstone Bay is CLIFN's Treaty name for Consistent Lake) A copy is enclosed with CLIFN's package.
- Kwakiutl and UFFC sent letters in May which would outline the process of which Kwakiutl and UFFC would like to see the Province engage with them in order to make a place at the table (UFFC's mandate. The letter would note that DC INC. does not have a mandate to engage in negotiations, but rather as a non-commercial basis or have a non-revenue financial impact for the Province.
  -
- Ministry of Indigenous Relations and Reconciliation (MIRR) is preparing a Cabinet submission requesting approval to fund governments for negotiation of a treaty with Consistent Lake. MIRR has been working with CLIFN, Kwakiutl, UFFC, Consistent Lake and others to have them participate in the $2,000 request (otherwise, of the $2,000 request, $1,000 would be for CLIFN).
- Embedded in the draft submission is a request for approval to negotiate a form of Incremental Revenue Sharing (IRS) with the NICE for new activities by Aboriginal title recipients.
- MIRR's proposed approach is not to provide a share of the water rental component of the IRS, but rather to provide a share of the property tax. This is because the water rentals for NICE and have not been collected. Instead, MIRR is proposing that the water rentals be paid by the sewage facilities and are providing modelling assistance to MIRR.

Comment [1]: Consistent Lake has not been involved in the operations of the facility, nor has it received any revenue from the facility.

12 RHEA-REGAL

Tenant Royalty Reporting Obligation Change Request

- Tenant has requested a change to the royalty reporting obligations contained in Lot 1 Clause 12.3 (Royalties) of the Head Agreement. Specifically, Tenant has sought relief from the requirement to deliver royalty reporting statements within 30 days of the end of each quarter and has requested that this be extended to 45 days. Tenant has also requested that its obligation to prepare and deliver unaudited Q4 financial statements under the royalty reporting requirements under the Supplemental Royalty Payment Agreement (SRPA) (i.e. 2nd Amendment to Head Agreement) be removed.
  - Tenant has proposed that royalty reporting statements will continue to be provided as set out in the license agreements, and as per the royalty reporting requirements, a statement from Tenant's external auditors certifying the calculation of the royalty payments for the relevant quarter will be delivered to Landlord together with the relevant royalty payment within 90 days of year end.
  - Tenant has not provided any explanation as to the reasons behind these changes.
- Tenant will formally request this change (in positive numbers) to bid CCS, and the LL-1 response letter will be provided by the Deadline.
  - Similar to the latter precedent in 2021 for the changes under the SSPAs, that Landlord accepted Tenant's request, we expect LL-1 to respond in the same manner.
- The Zinc royalty payment from Tenant to Zinc Frontier is subject to (as received by Tenant from Landlord) the same royalty reporting process. But the royalty reporting is expected to be received by the end of August.

2026 Annual Lending Direction

- The Ministry of Finance will be securing a waiver from the CPO, to approve pursuant to the Capital Investment Fund Act (CIFA), the GRA in 2026 to issue guarantees in excess of the limit set out in section 4(1)(a) of the CIFA. Guarantees shall in Treasury and create an interest rate spread of up to 77.5 basis points above the Government of Canada bond rate.
- The 3-annual spending/3-service rule, not the maximum authorized amount of the loans (i.e. the principal amount), is the primary constraint for the GRA. Any and all borrowers, such as colleges or universities, and where possible, the borrower's name and the specific purpose(s) for which the loans are required, with the other information listed in the Borrower Information Requirements Table, must be listed in the Investment Policy Minister's Directive and followed by Guidance Letter, CPO, or a person designated by either of them for approval.

Collings Class Exemption Regulation

- MAEDA Minister has said no request to the Minister of Finance for a limited-collings class exemption regulation under existing ITAA s 256 based on materiality thresholds, and MAEDA agrees.
- It's assumed that collings are not going to be exempted wholly at this time (matching practice of regulations under the current legislation – immaterial business collings are exempted under ITAA s 256(2)).
- MAF Legal has prepared drafting instructions to copy Connect re collings class exemption based on materiality thresholds, and MAF Legal anticipates that there will be no difficulties in preparing the regulations for the Minister.
- A Ministerial approval package is targeted for mid-to-late August.

MAEDAS Loan Program: for Energy Retrofit Projects at Collings and Universities

- MAEDAS (MoEDAS) will be seeking Treasury Board approval on July 29th of a $500M loan program through the EDS for biomass energy retrofit projects at collings and universities.
  - MoEDAS has been asked to provide a cashed letter signed by their Minister of Finance by July 29th indicating support for the program.
- MoEDAS will be requesting a s.256 class exemption specific to this program as some of the projects will exceed the materiality thresholds amounts set out in the current collings class exemption regulation.
  - MAF Legal will be preparing drafting instructions for copy Connect.
- Ministerial approval of the regulations will likely be sought in early August.

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Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

I have responded to Ron's comments in the attached and added a section on the Algonquin land claim. Also attached is the date-stamped copy of the letter from the Minister of Finance to CLFN which Ron asks about in the agenda.

Emily

From: Gavin He
Sent: Monday, July 17, 2017 3:59 PM
To: John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: FW: MO Bi-weekly Agenda

Hi John/Emily,

Please see attached suggestions from Ron.

Regards,
Gavin He

From: Ronald Kwan
Sent: Monday, July 17, 2017 3:57 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

Some suggestions, as attached.

Thanks,
Ron

From: Gavin He
Sent: July-17-17 14:18
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the annotated agenda for your review.

Regards,
Gavin He

From: Gavin He
Sent: Friday, July 14, 2017 5:06 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>;

Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Tuesday, July 18th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **noon on Monday, July 17th, 2017** for Ron to review? Sorry for the late notice.

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ARMED FORCES NORTHERN
OPERATION ORDER 1/XXX (NO NAME)

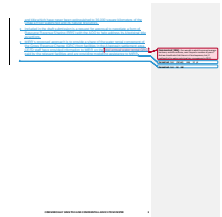
STATE TRACTY IS ASSISTED BY EMBALATION INITIATES ISSUES

1. **The Situation.** Provide enough information for the reader to understand the environment in which the operation will take place. Include:
   a. Area of operations. Describe the area in which operations will occur. Include enough detail to allow subordinates to understand the significance of the area to the operation.
   b. Terrain. Describe the terrain in the area of operations and how it will affect operations.
   c. Weather. Describe the weather in the area of operations and how it will affect operations.
   d. Enemy forces. Describe enemy dispositions, strengths, capabilities, and courses of action.
   e. UCG civil servants (SECI, Lieb and other UCG staff) working in place the mission be based upon [redacted]'s Division of Conflict Mediation Initiatives (DCMI) and the Ministry of Foreign Affairs (MFA) [redacted] which would be the [redacted] Mediation Initiative.
   f. Friendly forces. Describe friendly forces (Grade 5 Liberia Lieutenant (MEA)) and the agreement between the Ministry of Foreign Affairs and UCG [redacted] mediation initiative.
      (1) [redacted] Mediation Initiative. [redacted] is already serving local [redacted] in Tractyia, and the [redacted] Mediation Initiative will be based in Tractyia, and the [redacted] Mediation Initiative will be based in [redacted].
      (2) Friendly capabilities. The [redacted] mediation [redacted] from the UCG should be a [redacted] [redacted] [redacted]

[redacted]

[redacted]

[redacted]



OTHER ISSUES

5. Second Penalty Round Has Withdrawn A Penalty Kick(s)

[035. Annual Lending/Grantor

- The Attorney of Province will be receiving [redacted] request from the GSN, to approve, pursuant to the Capital Investment Plan act (CIPA), the GSN 's 2021 Lot Lease Agreement with Lessee Inc. for the lease of Lot 1 in the GSN Industrial Park Holdes and to charge and impose an interest rate spread of up to 7/10 basis points above the Province's cost of borrowing.
- The Annual Lending/Grantor sets out the maximum authorized amount of the loans and grants that may be made by the Province to the GSN in the year, and the instruments , such as obligatio n s ecurities, and others possible. The Schedule's name and the specific purpose(s) for which the loans are required, with the ratio of repayment of the loans. The Schedule is signed by the Minister of Finance, the Assistant Deputy Minister, Corporate and Ownership Finance Division, GSN, or a person designated by either of them to approve.

College Class-Exemption Regulation

- MAESD Minister has said no request to the Minister of Finance for a limited college class exemption regulation under existing ITA s.236 based on materiality thresholds, has been received.
- An unnamed Ivy+ colleges are now signaling to be exempted entirely at this time (meeting a series of regulations under the revised legislation – (including business income, capital gains and taxable benefits).
- MoF Legal has prepared drafting instructions to add Connect to college class exemption based on materiality thresholds, [redacted] under ITA 236(1) s.(k).
- MoF Legal is waiting for MAESD to provide the list of colleges that will be granted approval [redacted] to ensure the drafting instructions are complete.

MAESD Load Program: for Energy Retrofit Projects at Colleges and Universities

- MAESD and MAESD will be seeking Treasury Board approval on July 25th of a $50MM loan program through the CFA, to finance energy retrofit projects at colleges and universities.
  - MAESD has been asked to provide a comfort letter signed by their Minister indicating MAESD's commitment to backstop this loan program.
- MAESD will be requesting a s.236 class exemption specific to this program, as some projects may not meet the materiality threshold amounts set out in the current proposed exemption regulation.
  - MoF legal will be preparing drafting instructions for Leg C concur.
- Ministerial approval of the regulations will likely be sought in early August.

From:	Ronald Kwan
To:	Gavin He
Cc:	Angie Georgakakos
Subject:	RE: MO Bi-weekly Agenda
Date:	Monday, July 17, 2017 3:57:05 PM
Attachments:	Annotated Agenda MO July 18 2017 CEFD_v1_Markup.docx

Hi Gavin,

Some suggestions, as attached.

Thanks,
Ron

From: Gavin He
Sent: July-17-17 14:18
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the annotated agenda for your review.

Regards,
Gavin He

From: Gavin He
Sent: Friday, July 14, 2017 5:06 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Tuesday, July 18th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **noon on Monday, July 17th, 2017** for Ron to review? Sorry for the late notice.

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

STATIC TRACTS: A. ASSET OPTIMIZATION INITIATIVES: ISSUES

1. [redacted] Master Sustainment Agreement for Public Utilities

   - [redacted]
   - [redacted]
   - [redacted]
   - [redacted]

2. [redacted]

   - [redacted]
   - [redacted]
   - [redacted]

[redacted]

Consistent with the Board's OEB-initiated Transmission Consultation Report, the Board is of the view that the Ontario Energy Board Act, 1998 should be amended to provide the Board with the authority to establish a Transmission Connection Code.

Connection Letter [redacted] Board Staff Proposal

[redacted]

- [redacted] Board Staff Proposal
- [redacted]

Aboriginal Loan Guarantee Program

- The First Nation component is a transmission project intended to connect 17 remote communities in northwestern Ontario has submitted an application to the Aboriginal Loan Guarantee Program for a loan guarantee to support the development of the project. The applicable current loan guarantee exposure is $[redacted] million.
  - The First Nations would be a partner in the [redacted] at Pearson LP, which owns and operates the transmission line that connects to the Hydro One network.
- A Tadoussac Board submission is being prepared to impose conditions on the Aboriginal Loan Guarantee Program to ensure that it is consistent with other applications, including the Wataynikaneyap Transmission Project.
- The submission would also seek an exemption from the requirement of generators to connect to the transmission system at the lowest cost point of connection (with to accommodate the larger scale of this particular project/applicant, and (2) the fact that the Aboriginal Loan Guarantee Program does not require more than 75 per cent of the financing be equity from a project.

[redacted]

OTHER REGARD.

5. Second Penalty Shared Only Withdrawn If Owner Purposes.

6. **CDB. Annual Lending Directive**

- The Minister of Finance will for each year prepare a Lending Directive to borrow from the CDB, to approve, pursuant to the Capital Investment Plan act (CIPA), the CDB's CDO, LD and Development Finance Corporation (DFC) to borrow from the CDB, to approve, pursuant to the CIPA, trades and to maintain an interest rate spread of up to 7% basis points.
- The (Lincoln Lending) Directive sets out the maximum authorized amount of the loans that may be outstanding at any time during the year, the terms and conditions of the borrowings, such as obligate or undertakes, and where possible, the borrower's name and the specific purpose(s) for which the loans are required, with the ability to delegate authority to the Minister of Finance, Economic Affairs and Investment, the Governor/Deputy Minister, Chairman and Chairman Finance Director, DFC, or a person designated by either of them to approve.

2. **College Class Exemption Regulation**

- MAESD Minister has sent a request to the Minister of Finance for a limited college class exemption regulation under existing ITA s. 236 based on materiality thresholds, as discussed.
- For assumed-from colleges are not opting into the exempted intercorp, as this is a branding exercise, all regulations under the revised legislation – (including business limit, associated corporations, etc.) will apply.
- MoF Legal has prepared drafting instructions to add Connect to college class exemption based on materiality thresholds, [redacted] [redacted]
- [redacted] approval to [redacted]

3. **MAESD Loan Pr ogram: Int E ree gy Retrofit Pr ojects at C olleges and Universities**

- MAESD/MoESD will be seeking Treasury Board approval on July 25th of a $50MM loan program through the CEFs to finance energy retrofit projects at colleges and universities.
  - MAESD has been asked to provide a comfort letter signed by their Minister indicating MAESD's commitment in backstop this loan program.
- MAESD will be requesting a s.29 class exemption specific to this program, as some projects may not meet the materiality threshold/a proactive opt out in the current proposed exemption regulation.
  - MoF legal will be preparing drafting instructions for Leg/C owncil.
- Ministerial approval of the regulations will likely be sought in early August.

From: Gavin He
To: Ronald Kwan
Cc: Angie Georgakakos
Subject: RE: MO Bi-weekly Agenda
Date: Monday, July 17, 2017 2:18:14 PM
Attachments: Annotated Agenda MO July 18 2017 CEFD_v1.docx

Hi Ron,

Please find attached the annotated agenda for your review.

Regards,
Gavin He

From: Gavin He
Sent: Friday, July 14, 2017 5:06 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Tuesday, July 18th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **noon on Monday, July 17th, 2017** for Ron to review? Sorry for the late notice.

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Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MO UPDATE: July 18, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Fair Hydro Plan – Master Subscription Agreement for Equity Injection

- The Fair Hydro Plan (FHP) will defer the amounts charged to electricity consumers, resulting in a reduced amount of GA costs passed on to consumers in the initial period of the FHP.
    - Financing Entity/OPG Trust will acquire assets related to the deferral of electricity charges from the Independent Electricity System Operator (IESO).
    - Up to 44% of such assets will be funded through equity injections in OPG from the Province / the Ministry of Energy.
- CEFD staff are working with GBED staff and other OFA staff in putting in place the structure facilitating the equity injection.
- As currently envisioned within the OFA, the Master Subscription Agreement (MSA) would be signed between the Ministry of Energy (Energy) and OPG, and a separate service level agreement (SLA) or Memorandum of Understanding (MOU) would be signed between Energy and the OFA.
- Energy Legal is of the position that the OFA should be a party to the MSA and CEFD and OFA staff are working through the issue with GBED staff.

2. Fair Hydro Plan – NUG Impact

- The Fair Hydro Plan (FHP) will defer the amounts charged to electricity consumers, resulting in a reduced amount of Global Adjustment (GA) costs passed on to consumers in the initial period of the FHP.
- Rates under some non-utility generator (NUG) contracts escalate on the basis of Total Market Cost (TMC) indices that reflect amounts intended to be charged to electricity consumers.
    - OEFC would have to exclude from the TMC indices calculations the impact of deferred GA costs in order to not have an impact on NUGs.
- OEFC would require direction from the Minister of Finance in order to engage in consultations with NUGs on how the FHP will be implemented in the calculation of TMC.
    - It is anticipated that the Minister of Finance would look for policy support from the Minister of Energy, that changing the way the indices are currently calculated -- to include the deferred GA costs when these costs are incurred by the IESO (and exclude financing costs), rather than when they are ultimately recovered from ratepayers, would be an acceptable outcome of consultations with NUGs.
- While deferred costs will eventually be recovered from ratepayers and reflected in the TMC indices, some NUGs have PPAs that will expire before the recovery phase of the FHP and would be negatively impacted by the cost deferral under the plan.

- Even for PPAs extending across most or all of the FHP period, on a present value basis, they would likely prefer the indices calculation to continue to include the portion of GA costs that is deferred.
- For one PPA, indexation begins later, and would benefit from the deferred cost recovery, with financing cost included in the escalation.

3. Constance Lake Meeting Request

- The Ministry of Energy (ENERGY) and Ministry of Indigenous Relations and Reconciliation (MIRR) recently reached an agreement with Constance Lake First Nation (CLFN) that will provide the First Nation with a Hydrology Adjustment payment in respect of generation from the Nagagami facility.
- The Minister of Energy in a letter to the Minister of Finance informed of the agreement between ENERGY, MIRR and CLFN, and suggested that discussions take place between OEFC, Brookfield and CLFN regarding refinancing of generator debt owed to OEFC.
  - A letter to the Minister of Finance requesting discussions on the generator debt was required under the agreement between CLFN, ENERGY and MIRR.
  - ENERGY staff have noted that, at a policy level, there is no intended outcome of these discussions.
- CLFN also sent a letter to the Minister of Finance requesting that discussions take place between CLFN, Brookfield and OEFC regarding refinancing the generator debt. The letter from CLFN also requested that OEFC enter into a framework agreement similar to what was entered into with MIRR and ENERGY.
  - Note that refinancing the generator debt would likely primarily benefit Brookfield, as CLFN is a minority partner in the Nagagami NUG, unless there were a side agreement between the partners.
  - In June 2016, Constance Lake entered into a Framework Agreement with ENERGY and MIRR, which included as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.
  - The Framework Agreement also provided for transfer payments to CLFN to provide it the resources (e.g., legal and financial consulting services) to engage in the discussions.
- On July 7, 2017, the Minister of Finance sent a response to CLFN, copying the Minister of Energy, noting that staff for OEFC would be in contact with CLFN's advisor.
- In a discussion with CLFN's advisor, staff noted that OEFC is not mandated to enter into new agreements outside the PPAs, such as the proposed framework agreement. Staff also noted that OEFC would be available to discuss the PPA for the Shekak-Nagagami hydroelectric facility with representatives from Algonquin Power (Nagagami) Limited Partnership, the counterparty to the NUG PPA.

- We have understood that the counterparty has been represented by Brookfield, in past discussions with OEFC.

- Staff for OEFC are preparing a letter that would outline the basis upon which discussions between OEFC, CLFN and Brookfield on the generator debt could take place. In particular, the letter would note that OEFC cannot consider changes to the PPA that would involve a financial impact for the Province or additional costs for electricity ratepayers.

4. Aboriginal Loan Guarantee Program

- The First Nation proponents in a transmission project intended to connect 17 remote communities in northwestern Ontario has submitted an application to the Aboriginal Loan Guarantee Program (ALGP) to support its planned equity investment in the project. The applicant's current loan guarantee request is $300 million.
  - The First Nations would be a partner in Wataynikaneyap Power L.P., which was selected by the Province in July 2016 to connect the remote communities.
- A Treasury Board submission is being prepared to request an increase to the program envelope by $200 million to accommodate current and anticipated applications, including the Wataynikaneyap Transmission Project.
- This submission would also seek an exemption from the following ALGP parameters regarding the Wataynikaneyap Transmission Project: (i) the $50 million per project limit to accommodate the larger scale of this particular project/applicant, and (ii) the limit that the guaranteed loan not represent more than 75 per cent of the Aboriginal equity in a project.

5. Teranet Royalty Reporting Obligation Change Request

- Teranet's obligation to make royalty payments to the Province resumed April 1, 2017. As the process for making and reporting on those payments is finalized, Teranet has brought forward the request to change the royalty reporting timing and deliverables to align with changes made to financial statement reporting requirements under the Supplemental Royalty Payment Agreement (SRPA) in 2011.
  - Specifically, Teranet is requesting: 1) to change the delivery timeline for royalty reporting requirements from within 45 days of the end of each quarter to within 60 days of the end of each quarter; and 2) eliminate the requirement to prepare and deliver unaudited Q4 financial statements under the MGS and MAG License Agreements.
  - The annual audited financial statements will continue to be provided as set out in the license agreements, and as per the royalty reporting requirements, a statement from Teranet's external auditors certifying the calculation of the royalties and setting out supporting information (e.g., registration revenue) will continue to be delivered within 90 days of year end.

- Teranet will formally request the change in practice via letter to MGCS and MAG. A response letter will be provided by the Ministries.

    - Similar to the letter provided in 2011 for the changes under the SRPA, the Province could explicitly state that it reserves the right to require the Q4 unaudited statements at some time in the future.

- The first royalty payment from Teranet to the Province is expected to be received by mid-August. Assuming the change in practice is in place, the first royalty reporting is expected to be received by the end of August.

OTHER ISSUES

6. OFA Annual Lending Directive

- The Minister of Finance will be receiving in early July a request from the OFA to approve, pursuant to the *Capital Investment Plan Act (CIPA)*, the OFA's 2017-18 Annual Lending Directive which directs the OFA to lend up to $639.5 million to public bodies and to charge and retain an interest rate spread of up to 77.5 basis points above the Province's cost of funds.
- The Annual Lending Directive sets out the maximum authorized amount of the loans to individual borrowers or the maximum amount of all the loans to a group of borrowers, such as colleges or universities, and where possible, the borrower's name and the specific purpose(s) for which the loans are required, with the other terms and conditions of the loans subject to determination by the CEO of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them for approval.

7. College Class Exemption Regulation

- MAESD Minister has sent a request to the Minister of Finance for a limited college class exemption regulation under existing FAA s.28 based on materiality thresholds, as an interim measure.
- It is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not).
- MoF Legal has prepared drafting instructions to Leg Counsel re: college class exemption based on materiality thresholds.
- Ministerial approval will likely be sought in late August.

8. MAESD Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD will be seeking Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by their Minister indicating MAESD's commitment to backstop this loan program.
- MAESD will be requesting a s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF legal will be preparing drafting instructions for Leg Counsel.
- Ministerial approval of the regulation will likely be sought in early August.

From: Gavin He
To: Ronald Kwan
Cc: Angie Georgakakos
Subject: RE: MO Bi-weekly Agenda
Date: Tuesday, July 04, 2017 12:45:02 PM
Attachments: Annotated Agenda MO June 26 2017 CEFD_v4.docx

Hi Ron,

Please find attached the updated agenda for your review.

Regards,
Gavin He

From: Ronald Kwan
Sent: Tuesday, July 04, 2017 11:21 AM
To: Gavin He <Gavin.He@ofina.on.ca>; Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi,

Some suggested edits and queries to the branches.

Ron

From: Gavin He
Sent: June-29-17 16:58
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the updated MO bi-weekly agenda for your review. I have attached a clean version as well.

Regards,
Gavin He

From: Ronald Kwan
Sent: Wednesday, June 28, 2017 5:31 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

The annotated agenda may need some updating, given the change in timing.

Ron

From: Gavin He
Sent: June-23-17 23:20
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Please find attached the MO bi-weekly agenda for your review.

Regards,
Gavin He

[SUBJECT] FOI – [CATEGORY]
MIN 4 [FOI] 25 – [day] JL 2022

1. **Treasury** [R] **and Cth Min** [R] **to** [R] **$12bn upper-spiralation increase for 2022-27**
- Treas [R] announced [R] historical surplus[es] for a 7th in the 2022-23 [R] and $12bn [R] of fiscal [R] [R] [R]

6. **Conveyance sales Meeting Request**

- Staff will set up a meeting with CLHN, Brookfield and staff for QE IC to provide Brookfield and Conveyance sales Pitch after LA Pitch (an opportunity to provide any additional information requested by CLHN after the LA Pitch) and to obtain information required to underwrite and execute Brookfield and CLHN's positions.
  - QE IC requirements from Brookfield and CLHN, and provision of any information requested by CLHN after the LA Pitch, to underwrite and execute Brookfield and CLHN's positions.
  - Brookfield and CLHN's requirements from QE IC to underwrite and execute Conveyance sales if they are able to support a sale of Conveyance (and what timing).
  - Timeline for CLHN Agreement (LOI) signing with Brookfield (including Financial Capacity and any conditions to acknowledge), to be reported at December 2021 Board meeting.
- Engagement by the Mayor from CLHN to the Minister of LA and Conveyance as precipitated in response, ongoing discussions with many
  - Mayor Sandy Hollinger has written to the Premier to say that until possible the Five Nations veto of Kamloops Agreement payments in lieu/join of generation from the Ashcroft facility [redacted]
  - [redacted] Minister of Energy, in relation to the Minister of Finance, has suggested that discussions take place between CLHN, Brookfield and QE IC regarding refinancing of Conveyance Debt and Ashcroft Debt (which is ~$[redacted] M) to reduce the debt burden on Conveyance and Ashcroft, and thereby reduce the amount of debt repayment the Thompson Nu'Q...ulaw's have come to rely upon from Conveyance.
  - CLHN. has also sent a request to the Minister of Finance, which may suggest discussions with Brookfield and CLHN. to enter into a Memorandum of Agreement (MOA) or have a framework agreement similar to what we entered into with Ministry of Indigenous Relations and Reconciliation (MIRR) and FNEMOU
  - Ministry of Finance has suggested discussions with Brookfield, Conveyance with E-nergy and MEM, and to involve as a process: addressing the ongoing operation of the facility, the ongoing revenue sharing with the Thompson Nu'Q...ulaw's during operation, and derive benefits from the continued operation of the facility.
    - [redacted] Brookfield to be involved in discussions with Conveyance and CLHN. [redacted]
    - Ministry of Finance has suggested Brookfield agreement without a direction from the Minister of Finance. Independently lacking such an outcome would be outside QE IC's mandate.
      - To be reviewed with managing ALG comments until then conclusion: QE IC cannot enter into new agreements outside the IPA's.
- ENERGY: we noted that, at a policy level, there is no intended outcome of these discussions.

6. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Algonquin Power Co. (APC), the Ontario Energy Board (Board) proposes that the IESO agree to amending its Power Purchase Agreement (PPA) with APC to include the following:
  - The Hagues Falls PPA expires at the end of 2033;
- Staff has worked with IESO and APC on a suspension agreement that provides payment for curtailment and ensures that the IESO and APC are indemnified from any liability and have arrived at a draft of a suspension agreement that was agreeable to both parties.
  - The amendments are required by IESO on June 30, 2021 as [illegible] [illegible]
- The amendments [illegible] to the IESO's rate base and ensure that [illegible] [illegible] [illegible]

- DFG has been responding to information requests from the federal Minister of the Environment and the Canadian Environmental Assessment Agency (CEAA).
- On June 26, 2012, the CEAA announced that it had completed its review of the Project and that, in its opinion,[illegible] and is satisfied that the project will not[illegible] adverse environmental effects[illegible]. The decision is subject to a number of conditions that the Minister may require DFG to implement. Before making a decision, the Minister will consider the CEAA's report and any comments from the public. The public will get a chance to comment on both the draft and any conditions.
- DFG indicated in discussions with DOTE staff in June that it anticipates that the CEAA will submit an decision package to the Minister in Fall 2012 with an expected decision by the Minister in December 2012 or January 2013.
  - If the EA is approved, DFG will then submit an application for a construction license.
  - The DFG Draft Budget assumed that DFG would obtain a site preparation and construction license by the end of 2012 with construction starting on 2013. However, this timeline appears to be under pressure.

[illegible]

- In the early to mid-1990's, DFG published brief and inexpensive white pamphlets that provided basic information about the species and habitat. These pamphlets were distributed at [illegible] and were very popular. [illegible]
  - A preliminary estimate has been developed to produce the Tuberculosis 2000 white pamphlet. [illegible]
  - [illegible] The DFG would like to see the pamphlet updated and distributed to the public. [illegible] DFG would like to see the pamphlet updated and distributed to the public. [illegible] DFG would like to see the pamphlet updated and distributed to the public. [illegible]

[illegible]

- [illegible] [illegible] [illegible]

OTHER ISSUES

Clean Water Agency (CWA)'s request for Legal mail of a Borrowing Program, Lending Facilities, and Investment Powers with concurrence of Cabinet

- CWA, a Canadian Crown corporation, recently signed a loan agreement with the European Investment Bank (EIBG) for general business purposes.
  - The agreement would allow CCWA to borrow from EIB up to $600,000 for a credit card facility for other eligible CCWA employees on their respective, as per the Borrowing Program.
  - The agreement would be effective until August 31, 2030, with an option to renew for two (2) additional terms of one (1) year each.
- The request requires the consent of a borrowing By-law 15 as per Section 9(2) of the Canada Water Act (the "CWA") and approval from Cabinet.
  - Under Section 9(2) of the CWA, CCWA is borrowing by-laws must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance. The Minister of the Environment and Climate Change has approved By-Law 15.
- Since the Minister of Finance is screened from issues involving Canadian chartered banks, the Minister of Finance's borrowing clarified to be brought to the President of the Treasury Board for consideration.
  - Order in Council: 4073/2021 allows the President of the Treasury Board to exercise the Minister of Finance's powers when the Minister of Finance is unable to do so.

College Council exemption Regulation

- MAECTED Minister has sent a request to the Minister of Finance for a limited college council exemption regulation under existing FAA s.28 based on materiality thresholds, as per MAECTED mandate.
- It is assumed that colleges are not going to be incorporated privately at this time. Therefore, the College Council Exemption Regulation is not a high priority – including business cases on potential vendors to proceed (Mr. Hill).

ESB- Annual Lending Directive

- The Minister of Finance will be introducing in early July a request from the ESB, on behalf of the Minister of Environment and Climate Change, for the ESB's 2021-22 Annual Lending Directive which shares the ESB, its wholly-owned subsidiaries and

trustee and/or change and margin per interest rate spread of up to 77.5 basis points above the 6 month/3 month Bank.

4. The Annual Lending Discretion sets out the maximum authorised amount of the loans that the Trustee may enter into during the financial year. The Trustee may, in its discretion, vary it as circumstances, and when possible, the Borrower is notified of the specific proposal(s) for which this loans are required, with the relevant information as to the Borrower's financial position. The Trustee, Manager, the Investment Property Advisor, Chairman and Property Finance Director, CFO, or a person designated by either of them for approval.

From:	Gavin He
To:	Ronald Kwan
Cc:	Angie Georgakakos
Subject:	RE: MO Bi-weekly Agenda
Date:	Thursday, June 29, 2017 4:58:14 PM
Attachments:	Annotated Agenda MO June 26 2017 CEFD_v3.docx Annotated Agenda MO June 26 2017 CEFD_v3_Clean.docx

Hi Ron,

Please find attached the updated MO bi-weekly agenda for your review. I have attached a clean version as well.

Regards,
Gavin He

From: Ronald Kwan
Sent: Wednesday, June 28, 2017 5:31 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

The annotated agenda may need some updating, given the change in timing.

Ron

From: Gavin He
Sent: June-23-17 23:20
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Please find attached the MO bi-weekly agenda for your review.

Regards,
Gavin He

ARBITRATION AGREEMENT
MAY 8, 2018 (AS OF [redacted], 2017)

[redacted]

[redacted]

[redacted]

- Staff reviewed estimated expenses for a 30-day trip to Europe, as directed in their previously approved plan. Expenses are estimated to be $4,000 per person, which is within the budget approved by the Board.
- Staff reviewed the proposed changes to the Board of Directors policies for the Board's consideration at the meeting and found no concerns.
- Staff reviewed the proposed changes to the Board of Directors policies for the Board's consideration at the meeting and found no concerns.

Next Steps/Actions: Brooke to schedule.

Next Meeting Agenda:

Item 1 – Fair Tariff Plan – NUG Project

- The Fair Hydro Plan (FHP) will define the amounts charged for electricity rate-payers, and the amounts paid to electricity generators. Currently, the FHP is set at 6.7 cents/kWh. The FHP applies under a non-utility generator (NUG) contracts. Because the FHP is set below the market rate, the difference is paid to the NUG and is ultimately charged to electricity consumers.
  - As part of 2024's budget, funds raised by levies from T&C Hydro subsidiaries into the Electricity Stabilization Fund to address risk that can happen on NUGs.
  - GE IC would require direction from the Minister of Environment, Conservation and Climate Change to change the FHP. Currently, the Minister has not indicated any intention to change the FHP. T&C Hydro are currently calculated – to include the additional GJ, costs when these costs are incurred – to include the additional GJ, costs when these costs are incurred, rather than when they are ultimately recovered from ratepayers.
- While delayed it was still successful, by all accounts from ratepayers, and reflected in the FHP. The Minister of Environment, Conservation and Climate Change approved the FHP, and should be, majority, those by the non-refinery under the plan.
  - Staff reviewed the proposed changes to the policies and found no concerns with recovery, with financing not included in the available.
  - Finally, the current Board meeting was at all on the Staff concern, on a present date. Staff reviewed the proposed changes to the policies and found no concerns with the position. eCab. cases that is resolved.
- [redacted]

Item 2 – Investors' Lake Meeting Request

[redacted]

- [redacted]
- [redacted]
- [redacted]

Update and issue receipt of a draft of a preliminary assessment that was submitted to a stakeholder.

- Pre-assessment draft dated 03-07-21 (Issue 03) "Draft for stakeholder review and comment"

Meeting Agenda Requirements

- Approval of Minutes from previous meeting
- Review of Action Items from previous meeting

Meeting Minutes

Item to Discuss: Kunde à gruen em (OACIQ) Technical clarifications

- OECD staff have been working with HAST Legal on drafting a technical amendment to the Ontario Association of Certified Engineering Technicians and Technologists (OACIQ) Code of Ethics and Fees Contract Maintenance and Locating Training (Draft).
  - The amendment by-law will allow for costs associated with those facilities to be recovered by the Ontario Association of Certified Engineering Technicians and Technologists (OACIQ) to include those costs and invoices as part of the annual fee.
  - It also includes the Recurring Hardships and small ratepaying to the retail merger, liability estimates, and therefore would not have a significant impact on OPG's nuclear rates.
  - amendments to the OACIQ requires approval from the Minister of Finance.
- The draft amendment would also allow for additional costs the OACIC might delegate to these requirements, to be added to the OACIQ. In the future, if approved by the Minister.
  - This change would streamline the approval process in the future as the addition of facilities to the OACIQ would not require a full technical amendment to the by-law, but only a change to the Minister's letter of approval.
- A final and clean copy of the amendment was provided by HAST Legal to OPG for review on [redacted].
- OECD staff recommend that the Minister approve the technical amendment. Staff are preparing a briefing package to seek the Ministers approval.

Item to Discuss: OPG Indicative Levelis Safe?r review

- [redacted]
- Mid-June to July 22: OPG announced that it had begun the sales process. The funds will be managed by Ambar Jones, Legal Affairs, who reference from October 2021 as the Project Manager, Legal Affairs, who reference from October 2021 as the Project Manager, Legal Affairs, who reference from October 2021 as the Project Manager

1. Ordinary Creditors with GENERAL CLAIMS Pro Rata [illegible]

2. [illegible] to the Extension of Limitations and Postponement of the Statutory Period for the Redemption of Real Estate Sold at Tax Sale [illegible]
   a. [illegible] Extension of Limitations and Postponement of the Statutory Period for the Redemption of Real Estate Sold at Tax Sale [illegible]
   b. [illegible] 2021, [illegible] [illegible] [illegible]

OTHER ISSUES

Pre-Consultation Engagement

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

Section 3 – Amendments to Section 1 of the Income Tax Act, 1967

- [redacted]
- [redacted]

Section 4 – Amendments to Section 2 of the Income Tax Act, 1967

- [redacted]

Section 5 – Amendments to Section 3 of the Income Tax Act, 1967

- [redacted]

Section 6 – Amendments to Section 4 of the Income Tax Act, 1967

- [redacted]

**Section

- The Minister of Finance will be authorized to apply, fully or in part, from the CCB, to the Minister of Environment and Climate Change, a portion of the CCB's annual funding Finance Act directs the CCB, to lend up to $8,500 million to public transit, active transportation and zero-emission vans spread of up to 10 loans points, about the Province's cost of funds.
- The Annual Lending Envelope sets out the maximum authorized amount of the loans that the CCB may enter into in a calendar year and includes, for groups of borrowers, sub-envelopes for each group. The Annual Lending Envelope sets out the name and the specific purpose(s) for which the loans are required, with the other terms and conditions of the loans to be approved by the Minister of Finance, the Associate Deputy Minister, Corporate and Electricity Finance Finance Act, 2018, or a person designated by either of them for approval.

ANNOTATED AGENDA
MO UPDATE: July 4, 2017

1. Treasury Board Order for ESDI appropriation increase for 2016-17

- Staff preparing approval package for a TBO for $152M, as 2016-17 final electricity sector dedicated net income is higher than projected at the time of printed estimates.
- The current estimate for Electricity Sector Dedicated Income (ESDI) for 2016-17 stands at $290M. The 2016-17 Printed Estimated amount approved was $138M.
- The increased ESDI compared to the 2016-17 printed estimates is mainly due to an adjustment that lowered the 2016-17 printed estimate amounts. Based on final financial data this adjustment is no longer necessary.
- TBO is tracking to July TB/MBC meeting.

2. Fair Hydro Plan – NUG Impact

- The Fair Hydro Plan (FHP) will defer the amounts charged to electricity consumers, resulting in a reduced amount of GA costs passed on to consumers in the initial period of the FHP. Rates under some non-utility generator (NUG) contracts escalate on the basis of Total Market Cost (TMC) indices which reflect amounts intended to be charged to electricity consumers.
    - As such, OEFC would have to exclude from the TMC indices calculations the impact of deferred GA costs in order to not have an impact on NUGs.
    - OEFC would require direction from the Minister of Finance. It is anticipated that the Minister of Finance would look for policy support from the Minister of Energy, in order to change the way the indices are currently calculated -- to include the deferred GA costs when these costs are incurred by the IESO (and exclude financing costs), rather than when they are ultimately recovered from ratepayers.
- While deferred costs will eventually be recovered from ratepayers and reflected in the TMC indices, some NUGs have PPAs that will expire before the recovery phase of the FHP and would be negatively impacted by the cost deferral under the plan.
    - For one PPA, indexation begins later, and would benefit from the deferred cost recovery, with financing cost included in the escalation.
    - For PPAs extending across most or all of the FHP period, on a present value basis, they would likely prefer the indices calculation continue to include the portion of GA costs that is deferred.

3. Constance Lake Meeting Request

- Staff will set up a meeting with CLFN, Brookfield and staff for OEFC to provide Brookfield and Constance Lake First Nation (CLFN) an opportunity to provide any relevant information and for staff for OEFC to request further information required to understand and assess Brookfield and CLFN's position.
    - OEFC does have a longstanding policy under which it may provide assistance to NUGs if they are able to support a claim of financial duress.

- In response to the letter from CLFN to the Minister, staff for OEFC have proposed a response, copying the Minister of Energy.
    - ENERGY signed an agreement with CLFN in May that will provide the First Nation with a Hydrology Adjustment payment in respect of generation from the Nagagami facility (holder of a NUG contract).
    - In order to facilitate further economic benefit to CLFN, the Minister of Energy, in a letter to the Minister of Finance, has suggested that discussions take place between CLFN, Brookfield and OEFC regarding refinancing of Generator Debt that Nagagami owes to OEFC. Note that refinancing the generator debt would likely primarily benefit Brookfield, as CLFN is a minority partner in the Nagagami NUG, unless there were a side agreement between the partners.
    - CLFN has also sent a request to the Minister of Finance, which may suggest broader discussions than the generator debt, to initiate discussions and to enter into a framework agreement similar to what was entered into with Ministry of Indigenous Relations and Reconciliation (MIRR) and ENERGY.
    - In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which included as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.
        - OEFC cannot enter into a framework agreement without a direction from the Minister of Finance. Independently taking such an action would be outside OEFC's mandate.
            - OEFC is mandated with managing NUG contracts until their conclusion. OEFC cannot enter into new agreements outside the PPAs.
- ENERGY staff have noted that, at a policy level, there is no intended outcome of these discussions.

4. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland requested that OEFC agree to suspend its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term.
    - The Iroquois Falls PPA expires at the end of 2021.
- Staff have worked with Northland on a suspension agreement that provides comfort that no further extensions of the PPA are possible, clarified the extent of OEFC's liability and have arrived at a draft of a suspension agreement that was agreeable to both parties.
        - The agreement was signed by OEFC on June 29, 2017 and is pending execution by Northland.

5. Ontario Nuclear Funds Agreement (ONFA) Technical Amendment

- CEFD staff have been working with MOF Legal on drafting a technical amendment to the ONFA to include the Bruce Power Radioactive Waste Operations Site 1 (RWOS1) and the Bruce Power Central Maintenance and Laundry Facility (CMLF).
    - The amendment would allow for costs associated with these facilities to be included in the ONFA cost estimates, following direction from the Canadian Nuclear Safety Commission (CNSC) to include these cost estimates as part of the Province's financial guarantee.
    - Cost estimates for these two facilities are small relative to the total nuclear liability estimate, and therefore would not have a significant impact on OPG's nuclear rates.
    - Amendments to the ONFA require approval from the Minister of Finance.
- The draft amendment would also allow for additional costs the CNSC might obligate for financial requirement, to be added to the ONFA in the future, if approved by the Province.
    - This change would streamline the approval process in the future as the addition of facilities to the ONFA would not require a full technical amendment, while still ensuring that the Province would have rights of approval.
- A final execution copy of the amendment was provided by MOF Legal to OPG for sign off on June 15th.
- CEFD staff recommend that the Minister approve the technical amendment. Staff are preparing a briefing package to seek the Minister's approval.

6. OPG Lakeview Lands Sale Process

- On June 6, 2017, OPG announced that it had begun the sales process. The lands will be marketed by broker Jones Lang LaSalle, with Infrastructure Ontario (IO) as advisor, through a two-stage competitive process open to pre-qualified bidders.
    - IO anticipates selecting a preferred purchaser by September 2017, with negotiations and closing diligence to follow.
    - According to IO, OPG is operating under an assumption that the Province would like the sale to close by the last quarter of calendar year 2017. Qs & As prepared when the sale process was announced indicated a winter 2018 closing for the transaction, but timing for transaction close has not otherwise been committed or publicly communicated.

- Prior to entering into binding agreements, a report-back to Treasury Board is required, as per the 2015 Minute.

- The Lakeview lands are comprised of approximately 177 acres and are part of the larger 245 acre Inspiration Lakeview Master Plan area.

    - OPG will require, as a condition of sale, that approximately 67 acres of "Municipal lands" (Cultural Hub, Serson Campus, Waterfront Park lands, water lots) are remediated, severed, and conveyed by the purchaser to the City of Mississauga to be used as a public amenity.

    - On June 9, 2016, the Minister of Energy issued a shareholder Declaration and Resolution to OPG's Board (publicly posted) to enable the transaction and payment of net proceeds to the Province.

7. Status Update on OPG L&ILW DGR Project

- OPG is in the process of seeking Environmental Assessment (EA) approval from the federal Minister of the Environment for its Low and Intermediate Level Waste (L&ILW) Deep Geological Repository (DGR) project.
    - OPG has been responding to information requests from the federal Minister of the Environment and the Canadian Environmental Assessment Agency (CEAA).
    - On June 26, 2017, the CEAA announced that it had completed its review of the additional information received from OPG and is satisfied that the responses adequately address the request issues.

- The CEAA is now preparing a Draft Report to the federal Minister of the Environment, on the information requests, as well as updating the potential EA conditions that will be required if the project proceeds.
    - The CEAA has indicated that it plans to have its Draft Report available in the summer and the public will get a chance to comment on both the draft and any conditions.

- OPG indicated in discussions with CEFD staff in June that it anticipates that the CEAA will submit a Decision Package to the Minister in Fall 2017 with an expected decision on the EA by the Minister in December 2017.
    - If the EA is approved, OPG will then submit an application for a construction licence.
    - The 2017 ONFA Budget assumed that OPG would obtain a site preparation and construction license by the end of 2017 with construction starting in 2019; therefore, this timeline appears to be under pressure.

OTHER ISSUES

8. Ontario Clean Water Agency (OCWA) Request for Approval of a Borrowing By-Law 21 and Approval under s. 28 of the *Financial Administration Act (FAA).*

- OCWA is requesting approval to enter into a corporate credit card agreement with the Bank of Montreal (BMO) for general business purposes.
    - The agreement would allow OCWA to borrow from BMO up to $400,000 for a credit card facility to allow eligible OCWA employees to incur expenses as part of their regular duties.
    - The agreement would be effective until August 31, 2020, with an option to renew for two (2) additional terms of one (1) year each.
- The request requires the approval of a borrowing By-law 21 as per Section 6(3) of the *Capital Investment Plan Act, 1993* (CIPA), and approval under s. 28(1) of the FAA.
    - Under Section 6(3) of the CIPA, OCWA's borrowing by-laws must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance. The Minister of the Environment and Climate Change has approved By-law 21.
- Since the Minister of Finance is screened from issues involving Canadian chartered banks, an approval package is being drafted to be brought to the President of the Treasury Board for consideration.
    - Order in Council 407/2017 allows the President of the Treasury Board to exercise the Minister of Finance's powers when the Minister of Finance is unable to do so.

9. College Class Exemption Regulation

- MAESD Minister has sent a request to the Minister of Finance for a limited college class exemption regulation under existing FAA s.28 based on materiality thresholds, as an interim measure.
- It is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not).

10. OFA Annual Lending Directive

- The Minister of Finance will be receiving in early July a request from the OFA to approve, pursuant to the *Capital Investment Plan Act (CIPA)*, the OFA's 2017-18

Annual Lending Directive which directs the OFA to lend up to $639.5 million to public bodies and to charge and retain an interest rate spread of up to 77.5 basis points above the Province's cost of funds.

- The Annual Lending Directive sets out the maximum authorized amount of the loans to individual borrowers or the maximum amount of all the loans to a group of borrowers, such as colleges or universities, and where possible, the borrower's name and the specific purpose(s) for which the loans are required, with the other terms and conditions of the loans subject to determination by the CEO of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them for approval.

From: Ronald Kwan
To: Usman Zahid
Subject: RE: MO Bi-weekly Agenda
Date: Tuesday, September 26, 2017 5:36:09 PM
Attachments: MO Bi-Weekly Sept 27 2017 CEFD_Markup.docx

Hi Usman,

See attached.

Ron

From: Usman Zahid
Sent: September-25-17 13:27
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Mara has asked to include a few additional edits. Attached is a markup relative to the version I send earlier today.

Regards,
Usman

From: Usman Zahid
Sent: Monday, September 25, 2017 11:20 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Attached is the proposed MO bi-weekly meeting agenda for the Wednesday, September 27, 2017 meeting.

Regards,
Usman

1. [illegible] Chairman – Proposed Evaluation Letter Dated
2. [illegible] Chairman Letter dated [illegible] 2012 re: Ms. Lynch's Qualifications and Experience [illegible]
3. [illegible] Chairman Letter dated [illegible] 2012 re: Ms. Lynch's Qualifications and Experience [illegible]
4. [illegible] Chairman Letter dated [illegible] 2012 re: Ms. Lynch's Qualifications and Experience [illegible]

- Concentrates for these two facilities are very small relative to the total multilateral facility approved (FCL's share of MMD), and, therefore, would not have a significant impact on the overall concentrations.
- Amendments to OHDL require approval from the Minister of Finance.

- The draft amendment would also allow for additional costs related to the two facilities the CADC might refrigate GFA to include in its financial guarantee agreement to the OSS, to be added to OHDL in the future, if approved by the Finance.
  - This change would expand the the approval process in the future as the amendment would not require Board approval. However, the proposed amendment to the will ensuring that Fiint Finc'ncnsmodi have rights of approval.

- A final execution copy of the amendment was provided by MOF cogni to OFC for sign-off on June 15th.

- OFD staff recommends that the Minister approves the technical amendment as soon as possible, preferably prior to the CADC hearing on October 1st.

[redacted] to add Fan Bay

- Staff are seeking the addition of FCU-1 credit facility for $2.5billion for the construction of the Fiint Point Pier.
  - The existing $5.75 million facility is currently more than $500 million drawn.
  - Once the $5 billion facility is put in place, the $575 million facility is to be cancelled and closed.

- Pursuant to the OSL Lending Policy, the OSL is required to include an intercept provision in respect of loans made by the OSL to public bodies on an unsecured basis, unless otherwise directed by the Minister of Finance (or Treasury Board or Cabinet).
- Fort the requirements of the OSL's Lending Policy, the OSL has reached out to the Minister, will keep, and FCU to fulfill the requirement to include an intercept provision in respect of loans made by the OSL.

Contractor Lacks Fin-ficiation (CLFI) Meeting Prospect

Malay-Mamyan Power 1-F – Federal Electrification

- Malay-Mamyan Power 1-F is planning to develop and operate electrical transmission lines and substations in the provinces of Malay and Mamyan. It is supported by financial institutions, which, as proposed by Private, is guaranteed by the Philippine government and counter-guaranteed by the national government. This financing structure and potential federal contribution is currently under discussion with the Department of Finance (DOF).

- [illegible] Malay-Mamyan Power 1-F submitted [illegible] Feasibility Study (FS) to the [illegible] which was found to be [illegible] by the Technical Evaluation Committee (TEC) and ICTSI. It is expected to be [illegible] in the 2nd Quarter of 2023.

[illegible]

ELIGIBLE ISSUES:

[illegible] – NGCC-5 JKA gap must of indemnities in Columna Kubra Agreement

- NGCC-5 [illegible] advised [illegible] the [illegible] to provide certain indemnities in regard to the [illegible] Columna Kubra Agreement.
  - In the same agreement, NGCC-5 is required to provide [illegible] and [illegible] [illegible] [illegible]

- MoEFCC has been served a promise a comfort letter signed by its Minister indicating that the "environmental clearance for East Jungle can be given" subject to the condition that the project proponent will maintain a buffer balance 'AMETZ' and CPC watching duties and responsibilities for Wana towns, Wana cantonment and Wana airport.
- MoEFCC's letter does not give the PCL or ZEE Group's shortlist specific to their company nor some of the projects mentioned in the memorandum. Investment documents can call it their environmental clearance letter.
- MoEFCC's legal are currently preparing drafting instructions for Long Counsel.
- Ministerial approval of the joint MoEFCC, regulation is expected to be sought by the Ministry of Finance, provided that Long Counsel is able to complete the drafting of the regulation.

From:	Ronald Kwan
To:	Gavin He
Cc:	Angie Georgakakos
Subject:	RE: MO Bi-weekly Agenda
Date:	Wednesday, June 28, 2017 5:31:08 PM
Attachments:	Annotated Agenda MO June 26 2017 CEFD_v1_Markup.docx

Hi Gavin,

The annotated agenda may need some updating, given the change in timing.

Ron

From: Gavin He
Sent: June-23-17 23:20
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Please find attached the MO bi-weekly agenda for your review.

Regards,
Gavin He

1 ECO Cmte Exe/Sec – OMP Requirements

- The ECC has been signed off by the Minister.
- Staff are preparing a short Minister's Directive to the CEO, to provide the new and revised priorities to the BTCC.
- Approvals package is being prepared for tomorrow.

2 Section 36 approval for Indian Ultra

- Ministry of Energy staff are putting together a c.30 requisite package for submission to Cabinet on Tuesday, July 5th, seeking approval for Section 36 of the Act, which would vest ownership of pipelines in favour of BTC, including the subsidiaries, and the BTCC with powers to their respective roles in carrying out the implementation of the Indian Ultra Project.
  - The Indemnities are expected to provide coverage for both organizations and their employees for any actions undertaken in the course of their duties implementing the plan.
  - Any other powers beyond that listed below will be required for their participation in the implementation of the OOPP Act.
  - In order for the OOPP Act to be successful, the draft materials, under review by Cabinet, will require that the Minister of Energy and the Minister of Energy, that the Minister of Finance approve the request.
- As currently proposed, the Minister will be expected to consider and sign the Section 36 Order, which will be published in the Gazette on July 15th.
  - Draft materials from Energy make that the likelihood of the Indemnity being called upon is low, and that the fiscal exposure is unquantifiable at this time.
  - Any costs incurred by the BTCC will be expected to be covered by the Project funding, within its approved allocations, for payments associated with the measures provided under this Agreements.
- CEO Cmte Exe/Sec will be circulating the approvals package tomorrow a new and revised set of BTC powers.

3 ECO Treasury Policy for Approval

- As prescribed under Ontario Regulations 2/2014 under the Financials Act, 2009, the Treasury Board is required to provide its approval to any changes to the Ministry of Treasury's approval.
- The revised Treasury Policy I have made, the following key changes
  - Increase the Treasury Board's approval limit for Capital Expenditures to Exceed Limits Which require Permit [$25 Mill and/or 25%]. This change is a result of the recent passing of the OOPP Act.

- Increase incremental recoveries to Schedule A Canadian[Events from the limited basis. They would be treated as ordinary income and recovered over the next 5 years. Alternatively, if the Minister is of the opinion that it is in the best interests of the Crown, the Minister may allow the taxpayer to deduct the entire amount in the year.
- The Canada recovery account would direct $10 billion in borrowing from the capital markets to provide funding of any amounts standing from or required under the Canada Apt Hydro Fuel Credit Act (CAHFCA).
- All fiscal costs to the government are anticipated from the approval of the proposed targeted policy as the $10 B will continue to be borrow and cost recovery under the CAHFCA will be paid back to the Crown.
- A package is being prepared for the Minister's approval.

Comment [Sa1]: Is Treasury Board involved?

4. **Fair Hydro Fuel – NUG 30 year**

- The Fair Hydro Fuel (FHF) will dictate the amounts charged for electricity consumers, resulting in a notional amount of CCA, made passed on to consumers in the initial 30 years of the NUG. The FHF will be calculated by the Minister of Finance, based on the advice of Ontario Natural Gas Clean Initiative Minister and must be published in the Canada Gazette.
  - As such, QETC would have to exclude from the TMC, notional calculations the impact of notional CCA costs in order to not have an impact on NUGs.
  - OE IC would require direction from the Minister of Finance, the Department of Natural Resources and Ontario Natural Gas Clean Initiative Minister, as well as Minister of Energy, to enter into a binding 30-year PPA with the NUG. The PPA would be based on the FHF, and would be a financial agreement that would not include the physical delivery of electricity, but would instead be financial in nature.
- All the notional costs will go directly into recovered from ratepayers, and reflected in the TMC. Notices, under NUG, Hydro Pros that will expire before the recovery phase is complete, will be paid out by the Crown, and recovered from ratepayers.
  - Pro-rated PPA – Indicative Regina rules – and would benefit from the deferred cost recovery, with financing cost included in the escalation.
  - Pro-rated PPA – Indicative Regina rules – and would benefit, on a present value basis, the current Bruce under the notices calculation envelope to include the notional CCA costs in the escalation.
- [redacted]
- [redacted]

5. **Consistent rules Moving Forward**

- [redacted]

- [redacted]
- [redacted]
- [redacted]

- Cost estimates for these two facilities are small relative to the total budget, liability estimates, and therefore would not have a significant impact on GFC's financial position.
- Amendments to the CNOL require approval from the Minister of Finance.

- The draft amendment would also allow for additional costs the CNOC might obligate to meet new requirements, at the sole discretion the GNJB, to the Areas, if approved by the Province.
  - This change would expand the the approval process in the future and the Province would not be able to veto the CNOC's decision. The amendment, at the will ensuring that the Province would have rights of approval.
- A redline copy of the amendment was provided by MOF Legal to GFC for review on June 2017.
- GEDI staff recommend that the Minister approve the technical amendment. Staff are preparing a briefing package to seek the Minister's approval.

Motion: [Name] moved, [Name] seconded, that the Board approves the amendments to the Canal Operating Agreement as presented.

14.2 GFC Lakeview Lands Sale/Purchase

- GFC has been approached by [redacted] to purchase its Lakeview Lands property, which is the last remaining undeveloped land in the Greenfield area.
- The lands are the subject of a long-standing dispute between the two parties. The lands will be marketed by Arbour Jones Langley LaBute, with a Masters-level Ontario OLS as advisor, through a two-stage competitive process open to pre-qualified Bidders.
  - All anticipated ordering to piecemeal purchases by September 2021, with the last purchase to be completed by 2023.
  - According to GL GFC is operating under an assumption that they'll receive investible the sale to close by the last quarter of calendar year 2017. Q-A-A prepared when the sale process was announced indicated a winter 2018 closing. Staff are not aware of any reason why implementation times has not allowed to have commenced or quickly commenced.
- Prior to entering into binding agreements, a report back to Treasury Board is required, as per the 2015 Bill xxx.
- GFC's statutory lands are comprised of several parcels, one which was part of the estate of the [redacted] family. [redacted]

OTHER ISSUES

Sales Transaction

- Sales Tax Waiver #1 Finance planned for June 20, 2027. Transaction status does not affect this.
- Minister of Finance approval will be required for three tariff loans, contingent liabilities contained in pension-related administrative contracts that will be assumed by PECO, contractual release to Dubois and time and control for certain legacy environmental liabilities associated with the Dubois Chemicals, Inc. and Dubois Agri-Industries (U.S.) - Fleet and Forty-Fifty Fleets Fund and Carnegie Corporation of Pennsylvania Foundation, including historical environmental and pension liabilities.

College Council Exemption Registration

- IRAP/CSO Minister has sence request to the Minister of Finance for a limited-village class exemption expansion under existing Rule s.28 based on materiality thresholds, with no sunset clause.
- It is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – consulting business cases on potential carve-ins to prescribe or not).

$45M Bond-part Interest Program — Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the disposition of funds from the Overseas Immigrant Investment Fund (OIIF) to the Canada Immigrant Investment Corporation (CIIC) for the purpose of creating the CIIC to invest its planned bond issue date, which is expected to be in fiscal 2023-24.
- The Province is no longer a supporter of the Minister of Finance to send a termination notice to the CIIC, which is required to be delivered before the beginning of the fiscal year in which the termination is to take effect, and to provide the CIIC with the following:
    - The termination notice should be delivered before the new allocation of funds to the CIIC, otherwise the next steps of the CIIC could be pushed back to 2024-25.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

$30B Annual Lending Directive

- The Minister of Finance will be sending an early July acceptance that the CIIC is required to pursue in the calendar year 2023 a total of up to $30.0 billion in new lending commitments (the "Annual Lending Directive"), $20.0 billion of which is for variable and 0% charge, and interest rate interest rate spread of up to 17.5 basis points above that of benchmark crated bonds.
- The Annual Lending Directive sets out the maximum authorized amount of the loans that the CIIC is permitted to make in the calendar year 2023, as well as the key transacts, such as colleges or universities, and others possible, that borrowers must meet in order to be eligible for a loan, and the maximum interest rate and other terms and conditions of the loans, subject to determination by the CEO of the CIIC or a person designated by written of Public Infrastructure Ministry Finance Finance, CFA, or a person designated by written of Public for approval.

From:	Ronald Kwan
To:	Francisco Chinchon; Deena Padamadan
Cc:	John Kim
Subject:	RE: MO Bi-weekly Agenda
Date:	Monday, June 12, 2017 11:54:45 AM

Thanks Francisco.

Ron

From: Francisco Chinchon
Sent: June-12-17 11:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

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Looks good to me.

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To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

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A few suggested edits, as marked on 11 (and shortened on the FHP guarantee one).

Ron

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Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
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From: Ronald Kwan
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From:	Ronald Kwan
To:	Deena Padamadan
Subject:	RE: MO Bi-weekly Agenda
Date:	Monday, June 12, 2017 11:54:26 AM
Attachments:	Annotated Agenda MO June 12 2017_CEFD_v4.docx

Hi Deena,

I combined the edits and did a clean version.

Ron

From: Emily Kerr
Sent: June-12-17 11:19
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

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From: Ronald Kwan
Sent: Monday, June 12, 2017 10:56 AM
To: Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
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ANNOTATED AGENDA
MO UPDATE: June 12, 2017

1. IESO Credit Facility – FHP Requirements

- IESO raised the requirements for financing the Fair Hydro forecast variances.
    - A letter requesting incremental credit facility room of $1.5 Bn in potential borrowing requirements is requested, composed of a new FHP-purpose facility of $2 bn and a reduction of the existing $975 million facility to $475 million.
- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
- To allow for this, an Order-in-Council (OIC) will be required for the OFA to borrow money from the Province. The approval package has been provided to the Minister for signature and it's tracking towards the June 27th LRC date, together with Energy's LRC submission.

2. Section 28 Approval for Indemnities

- Ministry of Energy staff are putting together a s.28 approvals package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO with respect to their respective roles in carrying out the implementation of the Ontario Fair Hydro Plan.
    - The indemnities are expected to provide coverage for both organizations and their respective Board members, officers and employees involved in implementing the plan.
    - IESO and OPG have stated that these indemnities are required for their participation in the implementation of the OFHP Act.
    - In order for the OFHP Act to be successful, the draft materials, under review by MOF Legal and CEFD staff, indicate that it is recommended by the Minister of Energy that the Minister of Finance approve this request.
- As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.
    - Draft materials from Energy state that the likelihood of this indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
    - Energy has confirmed in its draft request letter that it bears responsibility for funding, within its approved allocation, for payments associated with the indemnities provided under the Agreements.
- CEFD staff is working on a note and analysis on the request with MOF Legal and TBS staff, including OPCD members.
    - A set of questions on the draft materials have been provided to Energy Legal and relevant policy sections of the ministry.

3. Provincial Support Agreement or Provincial Guarantee Agreement

- As part of the OFHP and in order to provide support to those with claims against the Financing Entity (i.e., planned to be the OPG Trust) and with the ultimate objective of providing the highest possible credit ratings (and corresponding impact on interest costs to the ratepayers), the Province has been asked to provide both a Service Guarantee and a Performance Guarantee to support obligations of the IESO and the debt instruments issued by the Financing Entity.

4. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as it believes a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
- Staff sent a proposed termination agreement to Northland that provides further assurance that OEFC will calculate the indices on the basis of the judge's decision in the Global Adjustment lawsuit.
- Staff understand that, even with the above assurance, Northland believes that the only way to be protected from OEFC acting wrongly against Iroquois Falls is if the PPA is not terminated but only suspended.
- Staff will consider a suspension agreement under which it is clear that Northland cannot exercise a provision under the PPA to request an extension, subject to terms and conditions to be negotiated, and that the PPA comes to an end at the end of the initial term.

5. Fair Hydro Plan – NUG Impact

- The Fair Hydro Plan (FHP) will defer the amounts charged to electricity consumers, resulting in a reduced amount of GA costs passed on to consumers in the initial period of the FHP. Rates under some non-utility generator (NUG) contracts escalate on the basis of Total Market Cost (TMC) indices which reflect amounts charged to electricity consumers.
    - As such, OEFC would have to exclude from the TMC indices calculations the impact of deferred GA costs in order to not have an impact on NUGs.
    - OEFC would require direction from the Minister, supported by a request from the Minister of Energy, in order to change the way the indices are currently calculated -- to include the deferred GA costs when these costs are incurred (and exclude financing costs), rather than when they are ultimately recovered from ratepayers.

- While deferred costs will eventually be recovered from ratepayers and reflected in the indices, some NUG have PPAs that will expire before the repayment phase of the FHP and would be negatively impacted by the cost deferral under the plan.
    - For one PPA, indexation begins later, and would benefit from the deferred cost recovery, with financing cost included in the escalation.
    - For PPAs extending across most or all of the OFHP period, on a present value basis, they would likely prefer the indices calculation continue to include the portion of GA costs that is deferred.
- Staff are currently initiating discussions with Energy on this matter to request whether the Minister of Energy would provide policy support for revising the calculation of the PPA price indices and also to ensure that the information necessary to calculate the affected indices will be made available.

6. Constance Lake Meeting Request

- ENERGY has recently reached an agreement with Constance Lake First Nation (CLFN) that will provide the First Nation with a Hydrology Adjustment Adder in respect of generation from the Nagagami facility (holder of a NUG contract).
    - In order to facilitate further economic benefit to CLFN, ENERGY has requested to the Minister of Finance that discussions take place between CLFN, Brookfield and OEFC regarding refinancing of Generator Debt that Nagagami owes to OEFC. Note that refinancing the generator debt would likely primarily benefit Brookfield, as CLFN is a minority partner in the Nagagami NUG, unless there were a side agreement between the partners.
    - CLFN has also sent a request to the Minister of Finance, which may suggest broader discussions than the generator debt, to initiate discussions and to enter into a similar framework agreement the way it did with MIRR and ENERGY.
    - In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which included as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.
- OEFC cannot enter into a framework agreement without a direction from the Minister of Finance. Independently taking such an action would be outside OEFC's mandate.
    - OEFC is mandated with managing NUG contracts until their conclusion. OEFC cannot enter into new agreements outside the PPAs.
- Based on the request in the letter, staff can set up a meeting with CLFN, Brookfield and staff for OEFC to provide Brookfield and CLFN an opportunity to provide any relevant information and for staff for OEFC to request further information required to understand and assess Brookfield and CLFN's position.
    - OEFC does have a longstanding policy under which it may provide assistance to NUGs if they are able to support a claim of financial duress.
- In response to the letter from CLFN to the Minister, staff for OEFC will propose a response, copying the Minister of Energy.

7. MNO Solar Inc. ALGP Application

- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate name-plate capacity of about 13 MW. All sites have reached commercial operation.
- In July 2016, MNO Solar Inc. received a conditional offer of a loan guarantee under the ALGP for approximately $6.5 million. MNO accepted the conditional offer in August 2016.
- At this point, there is no reason to believe that the guarantee agreement will not be successfully concluded within usual ALGP parameters.
- OFA comments on some key documentation, including the limited partnership agreement, and intercompany loan agreements, remain unaddressed. The process of documentation negotiation between parties usually takes several months, though timing could be shorter or longer.
- Due to the passage of time, staff have considered basing the loan size on a 15 year term which is 75 per cent of the term of the FIT contract, as opposed to 75 per cent of the remaining FIT contract, so as to keep the amount of the guarantee at approximately $6.5 million rather than having to reduce it to approximately $6 million.
    - The concept of using a shorter term for ALGP purposes than the FIT contract term is to leave a buffer (typically 5 years in the case of a full 20 year contract) to deal with any workout period if the loan repayment is in any difficulty. Using the original contract length and a 15 year ALGP term would result in a buffer of about 3 years instead; however given that the MNO Solar Inc. projects are operational and operating at projected levels, any project construction risk that is applicable to preoperational projects is not applicable and a three year buffer could be supported when seeking final guarantee approval, which is anticipated to be sought in the coming weeks.

8. Cochrane Solar Project Update

- The Applicant and its project partner continue to consider whether they wish to pursue a guarantee well below the amount of the application (approximately 50%) with a provision for a subsequent follow on amount until a proven snow clearing plan can be demonstrated.
- While the partner is interested in moving ahead on this basis, the advisor to the Applicant has advised that they believe this project may not be viable and are reconsidering the application altogether.
- Staff are waiting for confirmation whether they wish to drop the application.

9. Other Applicants to the ALGP

- Staff are continuing to work on ALGP applications for three wind electricity generating projects (the 300 MW Henvey Inlet Wind project which is requesting a late September close of the guarantee, the 100 MW Belle River Wind project where due diligence is under way, and the 100 MW North Kent Wind project which is understood to mirror the Belle River project in most respects – the latter two were

awarded power purchase agreements under the Green Energy Investment Agreement), and the Wataynikaneyap transmission project.

10. Trillium Trust Regulations

- A TT reg. for the OPG head office sale will be brought forward during the second half of 2017 once all supporting documentation is provided by OPG. Until that is completed the cash associated with the net gains is being held by OPG.

- A TT reg. for the Brampton LDC sale will be brought forward during the second half of 2017 once accounting due diligence has been completed. Cash obtained in this sale, with the exception of PILs payments, is currently with Brampton HoldCo., an entity under the supervision of the Ministry of Energy.

- Additional regulations will have to be introduced with respect to the May 2017 sale of Hydro One shares and the future sale of the Seaton and Lakeview lands.

11. OPG Financial Guarantee to the CNSC

- As part of its nuclear generation business, OPG must renew its 5 year nuclear operating licences with the Canadian Nuclear Safety Commission (CNSC) before the end of 2017, including OPG's financial guarantee requirement to the CNSC on OPG's nuclear decommissioning and waste management liabilities.

- Consistent with previous renewal processes, OPG and the Province would provide the CNSC with access to the ONFA funds as part of meeting the financial guarantee requirement that sufficient financial resources are available to the CNSC in the case that decommissioning and/or remediation activities are performed on behalf of OPG.

    - The Access Agreement is anticipated to be submitted to the Minister of Finance for signature in late November or early December.

- In previous OPG financial guarantee processes, the Province has completed or topped up ONFA fund values portion of the financial guarantee provided to the CNSC with a direct provincial guarantee to the CNSC ($1.551 million for the period 2012-2017), as the ONFA funds were not sufficient to guarantee the whole liability estimate.

    - The projected ONFA funds fair market value exceeds the maximum amount OPG estimates needs to be guaranteed to the CNSC ($18.836 billion) for the 2017-2022 period. Given this, OPG has not included a provincial guarantee in its draft submission to the CNSC.

OTHER ISSUES

12. Stelco Transaction

- Treasury Board approval of Stelco transaction will be sought by OGBESI on June 13, 2017. Transaction is expected to close on June 30, 2017.

- Minister of Finance approval will be required for three MoF loans, contingent liabilities contained in pension-related administrative contracts that will be assumed by FSCO, contractual release to Stelco and the land vehicle for certain legacy environmental liabilities, indemnification of directors and officers of US Steel and Stelco, and Indemnification of U.S. Steel and United States Steel and Carnegie Pension Fund in respect of third party claims, for all liabilities and claims related to Stelco's operations, including historical environmental and pension liabilities.

    - Formal request for s. 28 approvals will be forthcoming from OGBESI and MOECC.

13. College Class Exemption Regulation

- MAESD Minister will be sending shortly a request to Minister of Finance for limited college class exemption regulation under based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD will be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

14. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.
- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

From: Francisco Chinchon
To: Ronald Kwan; Deena Padamadan
Cc: John Kim
Subject: RE: MO Bi-weekly Agenda
Date: Monday, June 12, 2017 11:54:07 AM

Hi,

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Thanks,

Francisco

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Sent: Monday, June 12, 2017 11:12 AM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
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From:	Emily Kerr
To:	Ronald Kwan
Cc:	Deena Padamadan
Subject:	RE: MO Bi-weekly Agenda
Date:	Monday, June 12, 2017 11:18:53 AM
Attachments:	Annotated Agenda MO June 12 2017_CEFD_v3.docx

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Sent: Monday, June 12, 2017 10:56 AM
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- As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.
    - Draft materials from Energy state that the likelihood of this indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
    - Energy has confirmed in its draft request letter that it bears responsibility for funding, within its approved allocation, for payments associated with the indemnities provided under the Agreements.
- CEFD staff is working on a note and analysis on the request with MOF Legal and TBS staff, including OPCD members.
    - A set of questions on the draft materials have been provided to Energy Legal and relevant policy sections of the ministry.

3. Provincial Support Agreement or Provincial Guarantee Agreement

- As part of the OFHP and in order to provide support to those with claims against the Financing Entity (i.e., planned to be the OPG Trust) and with the ultimate objective of providing the highest possible credit ratings (and corresponding impact on interest costs to the ratepayers), the Province has been asked to provide both a Service Guarantee and a Performance Guarantee to support obligations of the IESO and the debt instruments issued by the Financing Entity.

4. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as it believes a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
- Staff sent a proposed termination agreement to Northland that provides further assurance that OEFC will calculate the indices on the basis of the judge's decision in the Global Adjustment lawsuit.
- Staff understand that, even with the above assurance, Northland believes that the only way to be protected from OEFC acting wrongly against Iroquois Falls is if the PPA is not terminated but only suspended.
- Staff will consider a suspension agreement under which it is clear that Northland cannot exercise a provision under the PPA to request an extension, subject to terms and conditions to be negotiated, and that the PPA comes to an end at the end of the initial term.

5. Fair Hydro Plan – NUG Impact

- The Fair Hydro Plan (FHP) will defer the amounts charged to electricity consumers, resulting in a reduced amount of GA costs passed on to consumers in the initial period of the FHP. Rates under some non-utility generator (NUG) contracts escalate on the basis of Total Market Cost (TMC) indices which reflect amounts charged to electricity consumers.
    - As such, OEFC would have to exclude from the TMC indices calculations the impact of deferred GA costs in order to not have an impact on NUGs.
    - OEFC would require direction from the Minister, supported by a request from the Minister of Energy, in order to change the way the indices are currently calculated -- to include the deferred GA costs when these costs are incurred (and exclude financing costs), rather than when they are ultimately recovered from ratepayers.

- While deferred costs will eventually be recovered from ratepayers and reflected in the indices, some NUG have PPAs that will expire before the repayment phase of the FHP and would be negatively impacted by the cost deferral under the plan.
    - For one PPA, indexation begins later, and would benefit from the deferred cost recovery, with financing cost included in the escalation.
    - For PPAs extending across most or all of the OFHP period, on a present value basis, they would likely prefer the indices calculation continue to include the portion of GA costs that is deferred.
- Staff are currently initiating discussions with Energy on this matter to request whether the Minister of Energy would provide policy support for revising the calculation of the PPA price indices and also to ensure that the information necessary to calculate the affected indices will be made available.

6. Constance Lake Meeting Request

- ENERGY has recently reached an agreement with Constance Lake First Nation (CLFN) that will provide the First Nation with a Hydrology Adjustment Adder in respect of generation from the Nagagami facility (holder of a NUG contract).
    - In order to facilitate further economic benefit to CLFN, ENERGY has requested to the Minister of Finance that discussions take place between CLFN, Brookfield and OEFC regarding refinancing of Generator Debt that Nagagami owes to OEFC. Note that refinancing the generator debt would likely primarily benefit Brookfield, as CLFN is a minority partner in the Nagagami NUG, unless there were a side agreement between the partners.
    - CLFN has also sent a request to the Minister of Finance, which may suggest broader discussions than the generator debt, to initiate discussions and to enter into a similar framework agreement the way it did with MIRR and ENERGY.
    - In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which included as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.
- OEFC cannot enter into a framework agreement without a direction from the Minister of Finance. Independently taking such an action would be outside of OEFC's mandate.
    - OEFC is mandated with managing NUG contracts until their conclusion. OEFC cannot enter into new agreements outside the PPAs.
- Based on the request in the letter, staff can set up a meeting with CLFN, Brookfield and staff for OEFC to provide Brookfield and CLFN an opportunity to provide any relevant information and for staff for OEFC to request further information required to understand and assess Brookfield and CLFN's position.
    - OEFC does have a longstanding policy under which it may provide assistance to NUGs if they are able to support a claim of financial duress.

- In response to the letter from CLFN to the Minister, staff for OEFC will propose a response, copying the Minister of Energy.

7. MNO Solar Inc. ALGP Application

- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate name-plate capacity of about 13 MW. All sites have reached commercial operation.
- In July 2016, MNO Solar Inc. received a conditional offer of a loan guarantee under the ALGP for approximately $6.5 million. MNO accepted the conditional offer in August 2016.
- At this point, there is no reason to believe that the guarantee agreement will not be successfully concluded within usual ALGP parameters.
- OFA comments on some key documentation, including the limited partnership agreement, and intercompany loan agreements, remain unaddressed. The process of documentation negotiation between parties usually takes several months, though timing could be shorter or longer.
- Due to the passage of time, staff have considered basing the loan size on a 15 year term which is 75 per cent of the term of the FIT contract, as opposed to 75 per cent of the remaining FIT contract, so as to keep the amount of the guarantee at approximately $6.5 million rather than having to reduce it to approximately $6 million.
    - The concept of using a shorter term for ALGP purposes than the FIT contract term is to leave a buffer (typically 5 years in the case of a full 20 year contract) to deal with any workout period if the loan repayment is in any difficulty. Using the original contract length and a 15 year ALGP term would result in a buffer of about 3 years instead; however given that the MNO Solar Inc. projects are operational and operating at projected levels, any project construction risk that is applicable to preoperational projects is not applicable and a three year buffer could be supported when seeking final guarantee approval, which is anticipated to be sought in the coming weeks.

8. Cochrane Solar Project Update

- The Applicant and its project partner continue to consider whether they wish to pursue a guarantee well below the amount of the application (approximately 50%) with a provision for a subsequent follow on amount until a proven snow clearing plan can be demonstrated.
- While the partner is interested in moving ahead on this basis, the advisor to the Applicant has advised that they believe this project may not be viable and are reconsidering the application altogether.
- Staff are waiting for confirmation whether they wish to drop the application.

9. Other Applicants to the ALGP

- Staff are continuing to work on ALGP applications for three wind electricity generating projects (the 300 MW Henvey Inlet Wind project which is requesting a late September close of the guarantee, the 100 MW Belle River Wind project where due diligence is under way, and the 100 MW North Kent Wind project which is understood to mirror the Belle River project in most respects – the latter two were awarded power purchase agreements under the Green Energy Investment Agreement), and the Wataynikaneyap transmission project.

10. Trillium Trust Regulations

- A TT reg. for the OPG head office sale will be brought forward during the second half of 2017 once all supporting documentation is provided by OPG. Until that is completed the cash associated with the net gains is being held by OPG.

- A TT reg. for the Brampton LDC sale will be brought forward during the second half of 2017 once accounting due diligence has been completed. Cash obtained in this sale, with the exception of PILs payments, is currently with Brampton HoldCo., an entity under the supervision of the Ministry of Energy.

- Additional regulations will have to be introduced with respect to the May 2017 sale of Hydro One shares and the future sale of the Seaton and Lakeview lands.

11. OPG Financial Guarantee to the CNSC

- As part of its nuclear generation business, OPG must renew its 5 year nuclear operating licenses with the Canadian Nuclear Safety Commission (CNSC) before the end of 2017.

- Consistent with previous renewal processes OPG and the Province will provide the CNSC with access to the ONFA funds to guarantee that sufficient financial resources are available to the CNSC in the case that decommissioning and/or remediation activities are performed on behalf of OPG.

    - The Access Agreement will need to be signed by the Minister of Finance in late November or early December.

- In previous licenses the Province has completed or topped up the guarantee provided to the CNSC with a financial provincial guarantee ($1.551 million for the period 2012-2017) as the ONFA funds were not sufficient to guarantee the whole liability estimate.

    - The ONFA funds fair market value now exceeds the maximum amount OPG estimates needs to be guaranteed to the CNSC ($18.836 billion) for the 2017-2022 period. Given this, OPG has not included a financial provincial guarantee in its draft submission to the CNSC.

OTHER ISSUES

12. Stelco Transaction

- Treasury Board approval of Stelco transaction will be sought by OGBESI on June 13, 2017. Transaction is expected to close on June 30, 2017.

- Minister of Finance approval will be required for three MoF loans, contingent liabilities contained in pension-related administrative contracts that will be assumed by FSCO, contractual release to Stelco and the land vehicle for certain legacy environmental liabilities, indemnification of directors and officers of US Steel and Stelco, and Indemnification of U.S. Steel and United States Steel and Carnegie Pension Fund in respect of third party claims, for all liabilities and claims related to Stelco's operations, including historical environmental and pension liabilities.

    - Formal request for s. 28 approvals will be forthcoming from OGBESI and MOECC.

13. College Class Exemption Regulation

- MAESD Minister will be sending shortly a request to Minister of Finance for limited college class exemption regulation under based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD will be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

14. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.
- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

From:	Ronald Kwan
To:	Francisco Chinchon; John Kim
Cc:	Deena Padamadan
Subject:	RE: MO Bi-weekly Agenda
Date:	Monday, June 12, 2017 11:12:02 AM
Attachments:	Annotated Agenda MO June 12 2017_CEFD_v2_Markup2.docx

Hi,

A few suggested edits, as marked on 11 (and shortened on the FHP guarantee one).

Ron

From: Gavin He
Sent: June-09-17 15:02
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

EFB and SIFB have updated the agenda based on your request.

Regards,
Gavin He

From: Ronald Kwan
Sent: Friday, June 09, 2017 12:31 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

A few suggestions and requests.

Thanks,
Ron

From: Gavin He
Sent: June-08-17 10:31 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>

Subject: Re: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft annotated agenda for your review. Please note that SIFB has no items to report for this bi-weekly.

Regards,
Gavin He

From: Gavin He
Sent: Tuesday, June 6, 2017 4:53 PM
To: Francisco Chinchon; John Kim; Mara Bakic; Emily Kerr
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, June 12th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, June 8th, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
IESO BOARD OF June 16, 2022

4. IESO Credit Facility – OEF Requirements

- IESO raised the requirements for financing the Earl Hyde firmware variances,
  - A letter requesting incremental credit facility room of $6.1B to potential variances between the forecasted and actual costs of the OEF and the availability of $2.5m and a reduction of the existing $227 million facility to $27.5 million.
- Staff are preparing a draft Minister's Directive to the OEFs to provide the new and revised OEF terms by July 1.
- To allow for this, an Interim Council (IC) call has required for the OEB, to be held moving from the Finance. The approval package has been provided to the Minister and Deputy Minister of Energy towards the June 27th IC date, together with Energy's IESO submission.

5. Section 25.4 perm ut for intake sites

- Ministry of Energy staff are working together as a 25 approvals package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to approve the proposed amendments to the Ontario Regulation, the subsidiaries, and the IESO with respect to their respective roles in carrying out the implementation of the Ontario Fair Hydro Plan.
  - The package includes a proposed cost recovery charge for both organizations and their respective Board members, officers, and employees, modification
  - IESO and OP have stated that these indemnities are required for their participation in the implementation of the OFFP Act.
  - Staff, in consultation with the Ministry of Finance, under review by MOF Legal and OETE staff, indicated that it is recommended by the Minister of Energy that the Minister of Finance approves the request.
- Subject to the approval of the Minister of Finance, Ministry staff and the section 25 agencies to the and the memorandum to Minister Thibeault.
  - Staff have also prepared a draft letter from the Minister of Energy being called upon to issue and Fixed the final enactment to consequentially at this time.
  - Energy has confirmed in its draft request letter that it bears responsibility for any costs, liabilities, damages, claims, or other amounts associated with the indemnities provided under this agreements.
- OETE staff is working on a memo and analysis on the request with MOF Legal and Energy Legal and Policy staff.
  - A set of questions on the draft materials have been provided to Energy Legal and relevant policy sections of the ministry.

b. Provincial Support Agreement or Provincial Guarantee Agreement

- As part of the OPAT and in order to provide support to Hydro with claims against the Financing Entity (i.e., planned to be the OFIC Trust) and with the ultimate objective of ensuring that the Financing Entity has sufficient funds to make payments in accordance with the relevant PPA, the Province has been advised to provide both a Provincial Guarantee and a Performance Guarantee to support obligations of the IESO and the Hydro Counterparty issued by the Financing Entity.

c. IESO Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator ("IESO") and Hydro, the Province understands that Hydro and TransAlta Energy requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement with OEFC (the "PPA") for the remainder of that PPA's term. The Iroquois Falls PPA expires at the end of 2023.
- As defined does not want to terminate the PPA as it believes a termination could result in a claim against OEFC by TransAlta Energy and/or Hydro. The ability to suspend OEFC's rights under the PPA was therefore considered necessary to avoid such a claim, which is also proposed to be used in a curtailment agreement with IESO.
- As a result of the curtailment agreement between IESO and Hydro, IESO will not be required to pay OEFC for curtailment, but will instead file claims in the name of the Legislative Assembly of Ontario.
- Staff understand that, even with the above assurances, TransAlta believes that the PPA may be protected from OEFC seeking damages against Iroquois Falls by Force Majeure provisions in the PPA and Hydro.
- Staff will consider a suspension agreement under which it is clear that TransAlta cannot terminate, or claim damages under the PPA, but that we remain able to enforce the PPA against TransAlta in respect of OEFC's rights and obligations under the PPA, once the initial term.

d. Can Hydro Pass – IESO Impact

- The Can Hydro Pass (CHP) will defer the amounts charged for electricity consumers, resulting in a GDP impact which is more apparent in subsequent months than in the initial months. The CHP will also result in a reduction in the Harmonized Sales Tax (HST) on the Taxes of Total Market Cost (TMC) invoice which refleet amounts charged to consumers for electricity.
  - As such, OEFC sought leave to exclude from the TMC invoice all obligations the OEFC will subsequently receive from the Ministry of Finance.
  - OEFC will subsequently receive from the Ministry of Finance, pursuant to Acquisitions the Minister of Energy, in order to change the way the billions are currently recorded/reported in the OEFC's financial statements (i.e., as revenues and past exclude financing costs), rather than when they are ultimately recovered from ratepayers.

- While deferred costs will eventually be recovered from ratepayers, and reflected in the bulletins, some NUG have PPAs that will expire before the ‘ecosystem phase of the Project is complete. Without a PPA, these NUG will be forced to either:
    - Go into PPA, redevelop/re-begins later, and benefit herself from the deferred cost recovery, with financing cost included in the escalators.
    - Go IPAs extending perhaps most or all of the EPHP period, on a present value basis, which will be lower than the PPA rate indicated in order to re-create the portion of EU costs that is deferred.
- Staff are currently initiating discussions with NUG’ngo on this matter to request additional information on the impacts of the Project on their facility and explore necessary modifications that could be made to the Project to address concerns. Information will also be made available to Intervenors.

6. Constance Lake Meeting Request

- ENERGY, has recently reached an agreement with Constance Lake First Nation (CLFN) to acquire the Kapuskasing Power LP facility (the Facility) with the intent to expand of generation from the Kapuskasing facility (Tender of eNGS, comment).
    - In order to facilitate further economic benefit to CLFN, ENERGY has requested a meeting with Commission staff to discuss the Project and the Tender of eNGS, OE, regarding ownership of transmission from the Kapuskasing area to a point of interconnection with the IESO-controlled grid (Hydro One Networks Brookfield, as CLFN, is a minority partner in the Kapuskasing NUG, unless there is a change in ownership of the Kapuskasing NUG).
    - CLFN has also sent a request to the Minister of Finance, which may suggest broader discussions than this generation date, to initiate discussions and to enter into negotiations for a transmission line to connect to the Kapuskasing NUG.
    - In June 2016, Constance Lake entered into a Promise into a generation with Energy and MNRF, which included as a purpose addressing the ongoing operation of the Facility, and the potential for Constance Lake to participate in the ownership, operation, and derive benefits from the continued operation of the facility.
- OE-EC, carried enter into a framework agreement without a direction from the Minister of

7. MAGS star Inc. ALEF Application

- The MAGS Solar Inc. project is a portfolio of 50 small solar projects with an aggregate nameplate capacity of about 10 MW. All of its sites have executed commercial contracts.
- In July 2019, MAGS Solar Inc. received a conditional offer of a loan guarantee under ALEF totalling approximately $0.5 million. MAGS accepted the conditional offer in August 2019.
- At this point, there is no reason to believe that the guarantee agreement will not be executed in accordance with the conditional offer.
- CCB, comments on same-day documentation, including the limited partnership agreement, asset management loan agreements, receipt unsatisfactory. The concerns relate to the fact that the project portfolio already owns several months, through mining coal-fire shovels or barges.
- Due to the passage of time, staff have considered leasing the loan size as of June 2019 and the ALEF guarantee as of July 2019. The loan size was $0.5 million, and the ALEF guarantee was $0.4 million. Staff have considered leasing the amount of the guarantee as follows:
    - The concept of using a shorter term for ALEF, premises than the PF contract term is to leave a buffer (typically 5 years) that is due to the PF loan contract to deal with any contract period of the loan supplement to in any circumstances. The ALEF guarantee is for a term of 15 years, which will result in a buffer of about 5 years revised. However given that the MAGS loan is a portfolio of small projects, staff have considered that there is a construction risk that is applicable to small/medium projects is not applicable to the portfolio as a whole. Staff have recommended the guarantee for approval, which is anticipated to be sought in the coming months.

8. Confluent Solar Project/Update

- The Applicant and its applicant-solicitor continue to consider whether they wish to pursue a guarantee or will forfeit the amount of the application (approximately 50bc). Staff have received no subsequent follow up amount until a phone/ zoom meeting plan not be determined.
- While the partner is interested in moving ahead on this basis, the advisor in the partnership is not. Staff have met with the partner company. They met for hobby and are reconsidering the application altogether.
- Staff are waiting for confirmation whether they wish to drop the application.

5. Other Applicants to the ds.60

- Todd also undertaking to work on a CEP applications for three wind electricity generating projects (the 300 MW Fortune Interchange project which is requesting a Provincial Guarantee of Support, the 200 MW Hydro Interchange project which is in due diligence to undertake, and the 100 MW North Kent Wind project which is undertaking a Feasibility Study). Todd also has 3 wind projects in Ontario that are awarded power purchase agreements under the Crown Energy Investment Agreements, and the Wataka Brampton transmission project.

5A Trillium Trust Negotiations

- A 77 day, for the GP-2 hearing has scheduled to be brought forward during the second week of December 2019. Negotiations related to calculations for GP-2, until that is completed the cash associated with the net gains is being held by GPG.
- A 77 day, for the 8 response ICO, waived has brought forward during the second half of 2017 three accounting due diligence has been completed. Cash released in this regard is being held by GPG. Trillium Trust is governed by the Trillium Foundation Board, a non-entity under the supervision of the Ministry of Energy.
- Additional negotiations still have to be instructed with respect to the May 2017 sale of Public Free Waters and the Owen Sale of the Fountain and Lakeview lands.

5A GP-2 Financial Goal wider to the CSEC

- As part of its nuclear generation business, GPG must renew its 5 year nuclear operating licence with the Canadian Nuclear Safety Commission (CNSC) before [redacted]. [redacted]
- Calculated with previous renewal processes, GPG and the Province have [redacted] to provide shareholder assurances that sufficient funds are [redacted] to safely operate the [redacted]. These efforts have been successful with the CNSC to [redacted] the GP-2 hearing and/or remediation activities are performed on [redacted]
  - The review is planned with [redacted] to be conducted during a [redacted] over the Winter of Fiscal [redacted]
- In previous [redacted] GPG Boards of Directors [redacted] the GP Hydro has completed its [redacted] [redacted] [redacted]

- The government [redacted] funds but investors value [redacted] the needs for investment security in the Tasmanian needs to be geared back to the 100% [redacted] guarantee for Tasmanian Government borrowings. [redacted] [redacted] [redacted] provincial guarantee in the draft submission on the CGC).

12 OVER-ISSUED

12.1 Dalco Transaction

- Transfer Transaction of all Dalco Instruments to be made by OGIMO into June 2021 for $1 consideration in accordance with Section 161 of the ITA.
- Minister of Finance approval will be required for three MoF loans, contingent liabilities indicated in pension-related administrative contracts that will be assumed by PECO, a contractual release to Dalco and the land control for certain legacy environmental liabilities associated with the operations of the Dalco Chemical Plant, near Waterfield and Pt. E Road, and to Hazi Eaton Road and Carnegie Avenue, which will be assumed by the Province of Ontario as part of the wind-up of Dalco's operations, including historical and environmental and pension liabilities.
    - Formal request for no. 1A approvals will be forthcoming from OGIMO's end-June 2021.

12.2 College Class Exemption Regulation

- MoECD Minister will be sending shortly a request to Minister of Finance for limited exemption from certain provisions of the College Class Exemption Regulation.
- For the time being it is assumed that colleges are not going to be exempted annually from the provisions of the College Class Exemption Regulation. Instead, MoECD Ministry issues on potential waivers to prescribe or not), and MoECD will be responsible to file requests for a more limited-class exemption under the existing Class 4.25 provisions.

12.3 Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's approval to issue a notice of termination to the Ontario Immigrant Investor Corporation (OIIC) for the Ontario Immigrant Investor Corporation (OIIC), for the Immigrant Investor Program (IIP) as the Ontario Immigrant Investor Corporation (OIIC) is to be expected to be in the at 2020-21.
- Minister of Finance approval of the Minister of Finance is sent a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the supplement of any future applications to the Immigrant Investor Program (IIP) as of 2020-21.
    - The termination notice should be delivered before the final allocation of federal invites. Otherwise the enrollment of the OIIC could be pushed back to 2022-23.
- Ontario Immigrant Investor Corporation (OIIC) will be wound up in a manner to ensure that the outstanding obligations of immigrant investors will be met in their entirety.

From:	Ronald Kwan
To:	Emily Kerr
Cc:	Deena Padamadan
Subject:	RE: MO Bi-weekly Agenda
Date:	Monday, June 12, 2017 10:55:42 AM
Attachments:	Annotated Agenda MO June 12 2017_CEFD_v2_Markup.docx

Hi,

Some suggestions, as attached.

Ron

From: Gavin He
Sent: June-09-17 16:39
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

SPFB made some updates to their items as well. Could you please review and let me know if you are good with the edits?

Thanks,
Gavin He

From: Ronald Kwan
Sent: Friday, June 09, 2017 4:02 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: Re: MO Bi-weekly Agenda

Thanks All.

And, Gavin, have a great trip!

Ron

On Jun 9, 2017, at 3:02 PM, Gavin He <Gavin.He@ofina.on.ca> wrote:

> Hi Ron,
>
> EFB and SIFB have updated the agenda based on your request.

Regards,
Gavin He

From: Ronald Kwan
Sent: Friday, June 09, 2017 12:31 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

A few suggestions and requests.

Thanks,
Ron

From: Gavin He
Sent: June-08-17 10:31 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft annotated agenda for your review. Please note that SIFB has no items to report for this bi-weekly.

Regards,
Gavin He

From: Gavin He
Sent: Tuesday, June 6, 2017 4:53 PM
To: Francisco Chinchon; John Kim; Mara Bakic; Emily Kerr
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, June 12th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, June 8th, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He
<Annotated Agenda MO June 12 2017_CEFD_v2.docx>

ANNOTATED AGENDA
MEC-OFGA-M - June 16, 2017

1. IESO Credit Facility – DNP Reapprovals

- IESO noted that may become for financing the four Hydro forecast variances.
  - is been requesting incremental credit facility room of $1.5B to potential unforeseen circumstances. Treasury Board approved increase to the credit facility of $2.5b and a reduction of the existing $3.5 million facility to $4.5 million.
- Staff are preparing a draft Minister's Directive to the OPA, to provide the new and increased borrowing limits.
- To allow for this, an Orders-in-Council (OIC) will be required for the OPA, to borrow money from third Parties. The approved package has been provided to the Minister for his signature. The OIC is to receive the June 27th OIC date, together with Energy's OIC submission.

2. Section 28 of proval for Intere ntins

- Ministry will Energy staff are putting together a s 28 approvals package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to provide the Crown guarantee for the OPA's borrowings. The OPA is a subsidiary, and the IESO also requires their respective Orders in Council by and the Minister of Finance to provide the Crown guarantee.
  - The Indemnitys are expected to provide coverage for both organizations and may require the Board members, officers, and employees (indirect/in-directly) of the OPA.
  - IESO and OPG have stated that these indemnities are required for their respective organizations to operate in the IESM.
  - In order for the DDNT once be executed, the draft materials, under review by MOF Legal and CETD staff, indicate that it is recommended by the Minister of Finance to the Lieutenant Governor in Council.
- As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.
  - Energy staff have been advised that the Minister of Finance is not being called upon to sign and that the signature is requested/sought at this time.
  - Energy has confirmed in its draft request letter that it bears responsibility for the OPA's borrowings and that it will cover any payments associated with the indemnities provided under the guarantee.
- CETD staff is working on a more and analysis on the request with MOF Legal and Treasury Board Secretariat (TBS).
  - A set of questions on the draft materials have been provided to Energy Legal and relevant policy sections of the ministry.

5. Provincial Support Agreement or Provincial Guarantee Agreement

- As part of the GPOT build-in relief, no provincial support is offered with claims against the Provincial Public Entity [redacted] the GPC Trust and with the Ultimate Provincial Public Entity [redacted] Provincial Public Entity [redacted] Provincial Public Entity [redacted]

- An audit [redacted] between GEYC and [redacted] failed to reconcile [redacted] [redacted]
- [redacted] brought forward from the Minister, supported by a request from the [redacted] [redacted]
- GEYC has not yet received the Minister's decision on the [redacted] and accordingly is unable to proceed with the [redacted] [redacted] [redacted]

- Expert on the ground on the latter; staff can set up a meeting with Cr Ms B and Mr I with Mr Ben Hall, Director Infrastructure Delivery, to discuss. Staff could also provide a written briefing to the Mayor and GECTC to ensure a solid footing to provide advice, understand and assess Brookfield and Cr Ms's position.
  - Cr Ms B to be invited to attend the GECTC meeting, may provide assistance to the Friday sub-ABLG to support, or take off financial duress.
- In response to the letter from Cr Ms to the Minister, said Fin GSTC will propose a response, copying the Minister with Imag.

3. MAUS star Inc. ALGP Application

- The MAUS star Inc. project is a portfolio of 50 small-scale projects with an aggregate nameplate capacity of above 10 MW. All sites have received commercial certificates.
- In July 2022, MAUS Solar Inc. received a conditional offer of a loan guarantee under the ALGP. The conditional offer was for a loan guarantee conditional offer of August 2023.
- The ALGP requires recipients to balance that the guarantee agreement will not be successfully concluded within eleven ALGP parameters.
- 22B. comments on some key considerations, including the limited partnership agreement, which is not yet finalised. Staff have been advised that the process of [redacted] negotiation between parties usually takes several months, through to [redacted] at the earliest.
- Due to the passage of time, staff have scheduled having the loan note on a 25 year semi-profile to 75 per cent of the term of the PIT contract, as opposed to 75 per cent of the term of the PIT contract. This would result in an approximately $5.5 million shortfall. Staff have identified the following options to address this:
  - The concept of using a shorter term for ALGP purposes than the PIT contract term is to leave a buffer (typically 5 years) to the make-or-fail (10 year) contract term. This is to allow for [redacted] (e.g. [redacted] and [redacted] skills etc). Using the original contract length and a 25 year ALGP term would leave no room for [redacted] and would be a risky approach. Staff consider that the projects are operational and operating at projected levels, any unplanned [redacted] would be addressed by the [redacted] and a three- year buffer could be supported when seeking final guarantee approval, which is anticipated to be sought in the coming months.

4. Confusion Solar Project Update

- The Applicant and its project partner continue to consider whether they wish to proceed with the project. The Applicant has requested a [redacted] extension to [redacted], with a provision for a subsequent further [redacted] if [redacted] is not met. Staff have agreed to this extension.

- While the owners is interested in moving ahead on this basis, this advice on the application has been delayed by factors the project may not be viable and are not prepared to proceed on that basis.
- Staff are waiting for confirmation whether they wish to drop the application.

6. Other Applicants to the ALGE

- Staff also reviewed the ALGE loan and guarantee applications by three wind-electricity generation companies (the Wild Cattle Hill Wind Farm project which is negotiating a Joint Expenditure Lease of the guarantee; the 100 MW Waihi Wind Farm project where the applicant has applied for a loan of $50 million; and the Waitaki Wind Farm project undertaken to review the Waihi Wind Farm project in more measures – the latter two were awarded Lease Agreements under the Expert Panel through investment negotiations with the Minister and the Crown Investment Unit (CIU).

6A Follow- Track Negotiations

- In 2nd May, the Old EIC heard office could and be brought forward (during the second half of 2017) in view of supporting documentation is provided by GPC's. Could that is compliance the cash associated with the net gains is, facing NAVAL GPC.
- In 2nd May, the Old business in EIC asked the borough forward (during the second half of 2017) in view of supporting documentation is provided by GPC's. Could that is the sale, with the exception GPC's payments, to currently sold Examples Hold, a., am entity, under the supervision of the Ministry. Will help.
- Additional regulations will have to be introduced with respect to the May 2017 sale of Hydro Dive shares and the Deed sale of the Powder and Lakeview lands.

6A GPC Financial Goal written to the CABO

- As part of the normal governance business, GPC's must review its 5 year normal financial goals with the Crown Asset Sale Ministerial Safety Commissions (CASC) before the end 2-2017.
- Consistent with previous renewal processes GPC and the Province will provide the CASC with advice to the CASC, Guide to guarantee that sufficient financial resources are available to GPC to meet its obligations in commissioning earthquake remediation activities as performed on behalf of GPC.
    - The Income Agreement will need to be signed by the Minister of Finance in mid-November or early December.
- In previous licenses, the Province has completed or mapped up this properties and electric lines, with a financial and financial guarantee up 100 million for the

period 2022-2027) as the DKIS funds were not sufficient to guarantee the whole liability overhead.

- The DKIS funds' fair market value was unusually (but important) amount (approximately 1.5 billion) in the beginning of the year 2022 (the end of the 2021-2027 period). Given that, DKIS has not included a financial provisional guarantee in its draft submission to the CNSC.

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2.6 Dobie Transaction

- Closing for Tranche 1 of Dobie transaction will be caught by OSFA on June 30, 2027. Tranche 2 is expected to close on June 30, 2029.
- Minister of Finance approval will be required for these MoF loans, contingent liabilities contained in previous vested administrative contracts that will be assumed by the Province of Ontario, including but not limited to all pre-existing and future environmental liabilities, indemnification of directors and officers of OIS (GBE) and Dobie Investments Corp. (GBE), and the Province's Consolidated Risk Mitigation Pension Fund in respect of third party claims, for all liabilities and claims, related to Dobie's operations, including historical and immovable and pension liabilities.
    - Should cleared this, 3M approvals will be forthcoming from AGMEN and Treasury Board.

2.5 College Class Exemption Regulation

- MoESD Minister will be receiving shortly a request to Minister of Finance for limited college class exemption regulation under basket on materiality thresholds.
    - Exemption would be granted to colleges that meet certain criteria (financial viability and thus be operating a narrow set of regulations under the relevant legislation – including incentives rules on 'potential services to prescribe or not), and MoESD will be requesting that it be mapped into a more limited class exemption under the existing Class 1-25 provisions.

2.6 Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's approval to issue a notice of termination to the Federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future investments made by the Ontario Immigrant Investor Corporation (OIIC).
    - The termination notice should be delivered before the next allocation of federal invites. Otherwise the enrollment of the OIIC could be pushed back to 2025-26.
- Ontario's Immigrant Investor Program (OIIP) is a provincial program that encourages wealthy immigrants to invest in Ontario businesses and create jobs. The program ensures that the environmental obligations (increasingly immovable) will be met in their entirety.

From: Gavin He
To: Ronald Kwan
Cc: Deena Padamadan; Emily Kerr
Subject: RE: MO Bi-weekly Agenda
Date: Friday, June 09, 2017 4:39:10 PM
Attachments: Annotated Agenda MO June 12 2017_CEFD_v2.docx

Hi Ron,

SPFB made some updates to their items as well. Could you please review and let me know if you are good with the edits?

Thanks,
Gavin He

From: Ronald Kwan
Sent: Friday, June 09, 2017 4:02 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: Re: MO Bi-weekly Agenda

Thanks All.

And, Gavin, have a great trip!

Ron

On Jun 9, 2017, at 3:02 PM, Gavin He <Gavin.He@ofina.on.ca> wrote:

> Hi Ron,
>
> EFB and SIFB have updated the agenda based on your request.
>
> Regards,
> Gavin He
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Friday, June 09, 2017 12:31 PM
> **To:** Gavin He <Gavin.He@ofina.on.ca>
> **Cc:** Deena Padamadan <Deena.Padamadan@ofina.on.ca>
> **Subject:** RE: MO Bi-weekly Agenda
>
> Hi Gavin,

A few suggestions and requests.

Thanks,
Ron

From: Gavin He
Sent: June-08-17 10:31 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft annotated agenda for your review. Please note that SIFB has no items to report for this bi-weekly.

Regards,
Gavin He

From: Gavin He
Sent: Tuesday, June 6, 2017 4:53 PM
To: Francisco Chinchon; John Kim; Mara Bakic; Emily Kerr
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, June 12th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, June 8th, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He
<Annotated Agenda MO June 12 2017_CEFD_v2.docx>

ANNOTATED AGENDA
MO GRIA RE - June 16, 2022

1. IESO Credit Facility – DAP Reapprovals

- IESO noted the requirements for financing the Fair Hydro forecast variances.
  - A letter requesting incremental credit facility room of $6.134 to potential borrowings under the Ontario Electricity Financial Corporation (OEFC) credit facility of $23bn and a reduction of the existing $227 million facility to $0.75 million.
- Staff are preparing a draft Minister's Directive to the OFA, to provide the new and reduced borrowing limits.
- To allow for this, an Orders-in-Council (OIC) will be required for the OFA, to borrow money from third Parties. The approved package has been provided to the Minister and Deputy Minister for their records this June 15th OIC date, together with Energy's OIC submission.

2. Section 28 i/l precast for meter mkts

- Hydrovac will enegy staff are putting together a s.28 approvals package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Ontario Energy Board, to approve amendments to the Standard Supply Service Code, and the IESO Market Rules in their respective roles in enabling and the implementation of the Hourly Ontario Energy Price.
  - The Addendums are expected to provide coverage for both organizations and may respectively impact members, officers, and employees involved in implementation.
  - IESO and OFC have stated that these indemnities are required for their respective organizations to operate in the HOEP.
  - In order for the OEPC to not be exempted, the draft materials, under review by MOF Legal and OETE staff, indicate that it is recommended by the Minister of Energy that the OEPC be subject to the HOEP.
- As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.
  - Energy has confirmed that the Minister is available to sign the forms being called upon to be sent that the OIC enactment is completed as at this time.
  - Energy has confirmed in its draft request letter that it bears responsibility for the Minister's decision and will be responsible for all costs associated with the materials provided under this signed note.
- OETE staff is working on a more post analysis on the impacts with MOF Legal and Energy Policy staff, including:
  - A set of questions on the draft materials have been provided ind' being r eqal and advisers policy sections of the ministry.

3. Provincial Support Agreement re Provincial Guarantee Agreement

- As part of the GPAT and in order to preclude support to those with claims against the Financing Party (i.e. currently the GFS Trust) and with the ultimate objective of providing the highest possible credit ratings (and corresponding low interest costs to the Borrower), the GPAT Trustee has requested that the Borrower and the Borrower and GFS Entities Il assistive to support mitigation of the BUCC and the debt subordination under the GPAT Trust Deed.
- There are potential overlaps in the support provided through the Provincial Support Agreement being drafted and the Section 25 support being contemplated with respect to the Borrower and GFS Entities II (including the Borrower and GFS Limited Partner).
- Ministry of Finance, GEFO staff working with MOF Legal are considering the diligence in the Section 25 support and looking at potential duplication of support which may be relocated.
- Ministry of the ENV is CAS staff, GEFO staff are continuing to provide support and input.

6. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator ("IESO") and Northland Power Solar Ontario Limited ("Northland"), Northland has requested that GEFO agree to augment either their terminate for Force Majeure Agreement (FPA) with Iroquois Falls for the remainder of the FPA term or their Energy Purchase Agreement (EPA) with Kapuskasing.
- Northland does not want to terminate the FPA as it believes a termination could result in a claim against the Borrower for the Termination Payment. Northland uses GEFO's calculation of the termination payment used in the Iroquois Falls FPA, which is approximately $[redacted] as at the end of the current month.
- Staff are surveyed termination agreement to facilitate that provides further assurance that GEFO will indemnify the Indirect on the basis of the judge's decision in the Chatham-Kent Hydro lawsuit.
- [redacted]
- [redacted]

9. Fair Hydro Plan – NUG Impact

- The Fish Pudge Plan (FAP) will outline the pressures changed to advertising/ collaboration, the number of advertising contracts we enter in the basis of Alabama, which reflects the Fish Pudge Plan's commitment to:
  - As such, under normal legal advice, UEFEC will have to normally delivered OA Fish Pudge Plan (FAP) commitments, which will be reviewed by the Board and suggested by a request from the Minister of Energy in order to change this so the millions are currently calculated – to include the deferred OA costs when they are ultimately recovered from ratepayers. Financing owed, rather than when they are ultimately recovered from ratepayers.
- While deferred costs will eventually be recovered from ratepayers, and reflected in the Fish Pudge Plan (FAP) commitments, the Fish Pudge Plan (FAP) commitments of the FAP scheme will be negatively impacted by the non-deferred under the plan.
  - Fish Pudge Plan (FAP) commitments will be negatively impacted by deferred new technology – with financing once included in the revaluation.
  - Fish Pudge Plan (FAP) commitments will be negatively impacted by deferred costs – with financing once included in the revaluation. Fish Pudge Plan (FAP) commitments will be negatively impacted by deferred costs the portion of OA costs that is deferred.
- Staff are therefore seeking the Board's direction today on this matter to request legal advice from Bishop Sterling Brockett & Bell (BSBB) to help support the tracking the calculation of the FTA (other options and also to ensure that the information necessary to calculate the deferred costs will be made available.

6. Coronavirus Lake Meeting Request

- ENERGY has recently reached an agreement with Coralpenny Lake Fire Kraken (LFK) that will provide the Fire Kraken with a Synology (Lakemore boiler in Coralpenny Lake) and a Synology (Lakemore boiler in Coralpenny Lake).
  - In order to facilitate further economic benefit to LFK, ENERGY has requested that the Minister of Energy issue a Directive to the Board of Directors of UEFEC and UEFEC regarding refinancing of Coronation Gold that Kraggspark was to be required to pay to UEFEC in order to facilitate the payment of a dividend by UEFEC to ENERGY, as UEFEC is a wholly owned subsidiary of ENERGY, within three years a sale agreement between the partners.
  - The Minister of Energy has requested the Minister of Finance, which may suggest further discussions that the permanent debt, to inflate discussions and to enter into a binding commercial agreement by the Coronavirus.
  - Kraggspark has indicated that it is willing to pay the dividend provided that it receives a binding commercial agreement by the Coronavirus. Kraggspark has indicated that it is willing to pay the dividend provided that it receives a binding commercial agreement by the Coronavirus.
- UEFEC cannot enter into a commercial agreement without a direction from the Minister of Finance. Independently taking such an action would be outside of UEFEC's mandate.

- GE-IC is mandated with managing MoG contracts until their conclusion; GE-IC cannot enter into new agreements outside the PPAs.

4. Based on the request in the letter, staff can set up a meeting with EU PL Directorate-General for Energy, Commissioner Simson, and GE-IC to discuss the matter. Please advise if you would like staff to proceed with arranging this meeting.
5. Separately, we have been informed that:
   - GE-IC does have a longstanding policy under which it may provide assistance to its staff in the event of a medical evacuation; and
6. In response to the letter from CLYDE to Minister Isaac, said the GNTC will propose a response, a copy to the Minister of E-nergy.

3. MAG5-Kite Inc.-ExIM* Application:

- The MAG-5 Kite Inc. project is a portfolio of 5G-mall solar projects with an aggregate capacity of 250 MW, located in the MAG-5 Kite Inc. Special Economic Zone (MAG-5 Kite Inc.).
- In July 2024, MAG-5 Kite Inc. received a conditional offer of a loan guarantee under the ExIM* Bank's approximately $0.5 billion, MAG as-signed the conditional offer on August 2024.
- At this point, there has been no ExIM* Bank disbursement or approval with not the project has been delayed by more than 18 months.
- GOL comments on some key disconnectedness, including the limited partnership agreement, and interim-phase loan agreements, remain unsatisfactorily. The process has been delayed by more than 18 months. The GOL has been unable to move through owing to lack the shorter or longer.
- The GOL has indicated that staff have considered leaving the loan term vis-a-vis 25 year term set forth in TA Law- extend the term of the TET contract, as opposed to 15 yrs- such of the remaining TET contract, so as to keep the amount of the guarantee at approximately $0.5 billion rather than having to restore it to approximately $0. million.
   - The concept of using a shorter term for ExIM* purposes than the TET contract would be consistent with the Bank's policy, which requires that the loan be repaid for approximately the economic useful life of the asset being financed, and would result in a buffer of about 7 years instead. However given that the MAG-5 Kite Inc. project is not a conventional infrastructure project, and that the Bank's policy is conservative that is applicable to conventional projects is not applicable to the MAG-5 Kite Inc. project, the Bank's management has not approved, will be to and appeared to be brought in the coming[illegible]

8. Cochrane Solar Project Update

- The Applicant and its project partner continue to consider whether they wish to pursue a guarantee at below the amount of the application (approximately 50%). Staff are continuing to work with the Applicant to assess the remaining pre-construction milestones.
- While the Applicant has expressed it moving ahead on this basis, the updates to the Applicant has advised that they believe this project may not be viable and are considering withdrawing the application.
- Staff are waiting for confirmation whether they wish to drop the application.

9. Other Applicants to the ALGP

- Staff are continuing to work on ALGP applications for three wind electricity generation projects in Alberta. The Applicant for one project has withdrawn as a late September close of the guarantee; the CEC/BEC Eulet Flood Hub project (where Iron Alligator is under-orgs, and the CEC/BEC North Fork Hill project which is proceeding with Iron Alligator as the Applicant) are moving ahead. They have executed typical purchase agreements under the Direct Pay Investment Tax Credit and are in the process of finalizing municipal framework project.

10. Tri-State Trust Negotiations

- A TT-req. For the GP-C, head office sale will be brought forward during the second half of 2024 and is expected to close in early 2025 (subject to the GP-C sale being completed the cash proceeds) with the net gains is being held by GPC.
- A TT-req. for the B sessions GLC sale will be brought forward during the second half of 2024 and is expected to close in early 2025 (subject to the GP-C sale being completed the cash proceeds) with the net gains is being held by GPC. The sale, with the exception GPC to payments, is currently with Brampton Hydro, is under under the supervision of the Ministry of Energy.
- Additional negotiations will have to be conducted with respect to the May 2017 sale of the Sandy Pond Generating Station to Emera Energy and potential sale.

11. GPC Financial Guarantee to the CNSC

- As part of its nuclear generation business, GPC must renew its 5 year nuclear decommissioning plan with the Canadian Nuclear Safety Commission (CNSC) before December 2025.
- Consistent with previous renewal processes, GPC and the Province will provide the CNSC with access to the CNLTA funds to guarantee the sufficient financial resources to cover the costs of the decommissioning and decommissioning waste remediation activities are performed on behalf of GPC.

- The escrow agreement will need to be signed by the Minister of Finance in each borrower or early December.

- In connection therewith, the Province has completed or caused all the prospective purchasers to complete the Province's standard form of Offer to Purchase. For shares 2012-2017 as the BLRI, funds were not sufficient to guarantee the entire liability owing to.
    - In addition, bonds last market value was invariably the maximum amount [illegible] purchase bonds to be guaranteed by the CIDC. 2014-2016 shares for the 2017-2022 period. Given this, CPC has not included a financial provincial guarantee in the draft contribution to the CNRC.

O'SHEA ISOLAIS

2.5 Dobhi Transaction

- Closing for Tuaim settlement of Dobhi transaction will be caught by OCAIRS from June 2027 to June 2028 and is expected to close on June 30, 2027.
- Minister of Finance approval will be required for three MoF loans, contingent liabilities contained in various shared administrative contracts that will be assumed by Tuaim, and Tuaim's assumption of all Dobhi liabilities, including all historical environmental liabilities, indemnification of directors and officers of VIC-EMU and Dobhi, and Tuaim's payment to the Dobhi Pension Fund and the Dobhi Retiree Benefit Fund in respect of third-party claims, for all liabilities and claims, related to Dobhi's operations, including historical environmental and pension liabilities.
    - Ministerial approval for no. 3/5 approvals will be forthcoming from AGAIRS and OCAIRS.

2.5 College Class Exemption Regulation

- MoECD Minister will be receiving shortly a request to Minister of Finance for limited college class exemption regulation under based on materiality thresholds.
    - Exemption would be granted to colleges that meet certain criteria (student activity and time-line spending a minor, of regulations under the relevant legislation – including incidents values on potential services to prescribe or not), and MoECD will be responsible for any request for a more limited class exemption under the existing Part 1.25 provisions.

2.6 Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's approval to send a notice of termination to the federal Minister of Immigration, Refugees, and Citizenship advising that the Province would no longer guarantee the repayment of any future investments made by the Province in the Immigrant Investor Fund.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the enrollment of the CAE could be pushed back to 2028-29.
- Cabinet approval will be required for the termination notice. Ministry officials propose to ensure that the outstanding obligations (including investors) will be met in their entirety.

From:	Gavin He
To:	Ronald Kwan
Cc:	Deena Padamadan; Francisco Chinchon; John Kim
Subject:	RE: MO Bi-weekly Agenda
Date:	Friday, June 09, 2017 3:02:20 PM
Attachments:	Annotated Agenda MO June 12 2017_CEFD_v2.docx

Hi Ron,

EFB and SIFB have updated the agenda based on your request.

Regards,
Gavin He

From: Ronald Kwan
Sent: Friday, June 09, 2017 12:31 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

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A few suggestions and requests.

Thanks,
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From: Gavin He
Sent: June-08-17 10:31 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft annotated agenda for your review. Please note that SIFB has no items to report for this bi-weekly.

Regards,
Gavin He

From: Gavin He
Sent: Tuesday, June 6, 2017 4:53 PM
To: Francisco Chinchon; John Kim; Mara Bakic; Emily Kerr
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, June 12th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, June 8th, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

Speaking notes summary
Tue 14 Feb 08 - June 14, 2022

1. **ECO Credit Facility – RAP Requirements**
- ECO noted the requirements for financing the Tier 4 hydro forecast variances.
  - A letter requesting incremental credit facility room of $6.13m to potential forecast variances in the Tier 4 hydro projects and to increase the credit facility of $23m and a extension of the existing $23.7 million facility to $47.5 million.
- Staff are preparing a draft Minister's Directive to the OPA, to provide the new and increased credit facilities.
- To allow for this, an Orders-in-Council (OIC) will be required for the OPA, to borrow money from their Province. The approved package has been provided to the Minister of Energy and Infrastructure towards the June 27th OIC date, together with Energy's OIC submission.

2. **Auction 28 A1 proval for token sticks**
- Ivan/Wendy x10 energy staff are putting together a [redacted] approvals package for [redacted] the Minister of Energy [redacted]
[redacted] The approval package will include a draft Minister's Directive to the IESO, a draft letter from the Minister of Energy to the IESO, and a draft Cabinet Submission. The draft documents will be provided to the Minister's office by June 14, 2022 in advance of the implementation date for the Green Tier 4 Hydro Plan.
  - The implementation plan is to be in place ways for both organizations and [redacted] and [redacted] will provide coordinated implementing the plan.
  - [redacted] and [redacted] have good that these relationships are required for their participation in the implementation of the GSTP Act.
  - In order for the CEPP Act to be successful, the draft materials, under review by [redacted] will need to be approved by Cabinet and signed by the Minister of Energy that the Minister of Finance approve the request.
- As currently proposed, the Minister will be requested to consider and sign the Directive to the IESO and the letter to the IESO on or before June 27, 2022.
  - Draft materials from Energy state that the likelihood of the Indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
  - Cabinet will be requested to consider and approve the Directive to the IESO, [redacted] to approve the allocation. An approval is associated with the Indemnity, which is approved by the Minister of Finance.
- CEPD staff is working on a more and analysis on the request to MOF Legal and TBS staff, consulting IPCO members.
  - A set of questions on the draft materials have been provided to E Energy Legal and relevant policy leaders of the ministry.

[redacted] (MO): Wednesday, March 23, 2022 2:29 PM
Subject: [redacted] Ministry of Energy and Infrastructure Briefing Note
Attachment: [redacted] Ministry of Energy and Infrastructure Briefing Note
Importance: High
Sensitivity: Confidential
Hi [redacted] Please see attached Ministry of Energy and Infrastructure Briefing Note for the Minister's meeting with [redacted] on March 24, 2022.
Thanks, [redacted]
[redacted] (MO): Wednesday, March 23, 2022 2:29 PM
Subject: [redacted] Ministry of Energy and Infrastructure Briefing Note

2. An assessment based on the extent to which the proposal is consistent with the objectives of the Fair Hydro Plan and the Ontario Energy Board Act, 1998, including the following objectives: (i) to protect the financial viability of the electricity industry and ensure its ability to attract sufficient capital investment; (ii) to promote cost-effective conservation and demand management and the efficient use and generation of electricity; and (iii) to facilitate the implementation of a smart grid in Ontario.

3. Whether any potential impacts of the proposal, including the mitigation of any adverse impacts, are reasonable, and the applicant's proposals to mitigate any adverse impacts.

4. Any comments that the IESO, LDCs and transmitters may provide regarding the proposal, including the coordination and cost-effective delivery of connection and other services.

5. Any comments that the IESO, LDCs and other affected parties may provide regarding the proposal.

6. Where applicable:

a. whether the Ministry of Economic Development, Employment and Infrastructure's Economic Competitiveness Test and the Global Adjustment Directive for Class A customers have been met;

b. whether the proposal is consistent with the Ontario Government's Long-Term Energy Plan;

c. whether the proposal is consistent with the Ontario Government's Climate Change Strategy;

d. whether the proposal is consistent with the Ontario Government's Climate Change Mitigation and Low-carbon Economy Act, 2016;

e. whether the proposal is consistent with the Ontario Government's Climate Change Action Plan;

f. whether the proposal is consistent with the Ontario Government's Climate Change Impacts and Risk Management Act, 2017;

g. whether the proposal is consistent with the Ontario Government's Made-in-Ontario Environment Plan;

h. whether the proposal is consistent with the Ontario Government's Cap and Trade Program;

i. whether the proposal is consistent with the Ontario Government's Emissions Performance Standard;

j. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund;

k. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

l. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

m. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

n. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

o. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

p. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

q. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

r. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

s. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

t. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

u. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

v. whether the proposal is consistent with the Ontario Government's Emissions Reduction Fund Regulation;

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the millions are [redacted] and [redacted] [redacted] are deferred GA costs. Alberta will also continue [redacted] further than when they are [redacted]

- While deferred costs will eventually be recovered from ratepayers, and reflected in [redacted] the timing of recovery is uncertain. The ability to recover the costs of the PPP will [redacted] impacted by the rule defined under the plan.
  - As per TCE, anticipated costs have [redacted] from the indicative [redacted] due to [redacted]
  - See TCE's Monthly Progress Report as at July 2021 dated 5 August 2021 available [redacted] for details on [redacted] of project progress to date.
- Staff are currently [redacted] discussions within Energy on this matter to inquire whether the Minister of Energy would provide policy support for revising the [redacted] to allow for the full recovery of the PPP costs. No [redacted] timeline necessary to calculate the affected milk-run will be made available.

Compliance Letter Meeting Request

- EAGEN has recently signed an agreement with Canberra Lake Third Author [redacted] to develop a 1,000 MW hydrogen facility [redacted] (the "Project"). The degree of generation from the hydrogen facility [redacted] which connect.
- [redacted] Minister of Energy, that discussions take place [redacted] in the Alberta Electric System Operator [redacted] Compliance Letter Meeting Request to the OEIC. [redacted] Compliance Letter Meeting Request [redacted] [redacted] [redacted]

- In response to the letter from CLTA to the Minister, staff for GVTC will propose a respective Long-term Minister of Energy.

MNOS star rev. dLOF Application

- In July 2016, MNOS Solar Inc. received a conditional offer of a loan guarantee under the dLOF for approximately $5.5 million. MNO accepted the conditional offer in August 2016.
- At this time, there is no reason to believe that the guarantee agreement will not be successfully concluded within usual dLOF guarantees.
- CRE, comments on same key documentation, including the limited partnership agreement, and expects to receive the final documents in the next few weeks. Already effective interest negotiation between parties usually takes several months. Enough time remains to close.
- Over the the passage of time, staff have considered leaving the loan runs on 30 year amortization for 15 per cent of the loan at the IDT contract, as opposed to 15 per cent amortization. This would reduce the annual debt service payments by approximately $0.5 million rather than needing to reduce it to approximately $4 million
  - The original [redacted] from the dLOF, which the Director has not written [redacted] to request a [redacted] which [redacted] [redacted] [redacted]

Other Applicants to the ELSP

- Delt was contacted by only four ELSP applicants for three wind elements (Kincardine, Pembina, Bow City, Blue Hills) and one solar element (Suffield) during a Due Diligence review of the guarantee. Per CEI IM, Public Plus Work projects share due diligence to a wider range, and the CEI IM6 North Kent bid project which is currently in development was not contacted as it is not yet ready for construction or operation, agreements under the Green Energy Investment Agreement (GEIA) or Clean Energy Partnership Agreement (CEPA)

Wilson Trust Regulations

- A 77 reg. for the OFC- head office rules will be brought forward giving the second Wilson Trust the ability to receive dividends from the OFC- head office to help compliance the cash associated with the net gains is being held by OFC
- A 77 reg. for the B-aerospace LLC- sale of fan thrust force and during the summer half of 2017 the Wilson Trust will be able to receive dividends from the OFC- head office sale, until the remainder of PP is in payments, is currently until B-aerospace Finalt is , are solely under the supervision of the Nirtesky VIII merg1
- Additional regulations will have to be introduced with respect to the May 2017 sale of the Wilson Trust's shares in the Crown and Lakeview lands.

OFC-Financial Guarantee to the CNSC

- As part of its nuclear generation business, OFC must renew its 5 year nuclear financial guarantee with the Canadian Nuclear Safety Commission (CNSC) before the end of 2017.
- Consistent with previous renewal processes OFC and the Province will provide the CNSC with security for the NL Suite to guarantee that sufficient financial resources are available for the long-term management, decommissioning and remediation activities, per performed on behalf of OFC.
    - The Access Agreement will need to be signed by the Minister of Finance in late November or early December.
- Investments formerly the Province has completed a review of this proposed arrangement and has determined that the Province is entitled to \$5,512 million for the period 2012-2017 as the CNSC funds were not sufficient to guarantee the whole liability estimate.
    - The CNCS- funds has marked value- was accounts (for-memo's) entered into a settlement- Hence, more guaranteed- in the CNCS- 2006-07 Wilson Act

the 2022 2023 period. Given this, IDFC has not included a financial provisional guarantee in its draft submission to the CNDC.

EYES ONLY

Item 1 Orbis Transaction

- Closing for Tranche 1 payment of Orbis transaction will be subject to OSFI/BSIF's non-objection to the Transaction as attested to close on June 30, 2021.
- Minister of Finance approval will be required for three MoF loans, contingent liabilities contained in various shared administrative contracts that will be assumed by Orbis, and indemnities provided by MoF to Orbis in respect of Orbis' pre-existing environmental liabilities, indemnification of directors and officers of OG Oldco and Orbis, and indemnities provided by MoF to the Orphan Well Association and Orphan Fund in respect of third party claims, for all liabilities and assets, related to Oldco's operations, including historical and immaterial and pension liabilities.
    - Ministerial approval for ALL GA approvals will be forthcoming from AGMR/Cabinet Committee.

Item 2 College Class-Exemption Regulation

- MoE/OSI Minister will be sending shortly a request to Minister of Finance for limited college class exemption regulation under basket on materiality thresholds.
    - Exemption would be limited to certain provisions of the Securities Act (Ontario), and from time to time, a narrow list of regulations under the relevant legislation – including investees subject to potential waivers to prescribe or not), and MoE/OSI will be responsible for any request for more limited class exemption under the existing Class 1 OSI provisions.

Item 3 Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's approval to send a notice of termination to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future investments made by the Province in the Immigrant Investor Corporation (IIC).
    - The termination notice should be delivered before the next allocation of federal invites. Otherwise the enrollment of the IIC could be pushed back to 2026-27.
- Ontario's Immigrant Investor Program (IIP) is a provincial program that allows foreign investors to invest in Ontario businesses in exchange for permanent residency. The program ensures that the economic immigrants increasingly invested in all sectors of the economy.

From:	John Kim
To:	Gavin He
Cc:	Ronald Kwan
Subject:	RE: MO Bi-weekly Agenda
Date:	Friday, June 09, 2017 2:16:08 PM
Attachments:	Annotated Agenda MO June 12 2017_CEFDv1_Markup2.docx

Hi Gavin,

To be consolidated with other requests….

Thanks,

john

From: Ronald Kwan
Sent: Friday, June 09, 2017 1:57 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi John,

It's just a heads up to MO. So far as I know, CMD does not have an MO Weekly meeting.

Ron

From: John Kim
Sent: June-09-17 1:56 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: ;RE: MO Bi-weekly Agenda

Hi Ron,

With respect to your request on PG, we understood that CMD was leading on that item. We can add a bit of flavour on the PG discussion to the extent that there could be overlap with indemnities, etc. Is that okay with you?

Thanks,

John

From: Gavin He
Sent: Friday, June 09, 2017 12:34 PM
To: John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>;

Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: FW: MO Bi-weekly Agenda

Hi all,

Please find attached the edits and requests from Ron for the bi-weekly agenda. Could you please send the updated version to Deena before EOD today?

Thanks,
Gavin He

From: Ronald Kwan
Sent: Friday, June 09, 2017 12:31 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

A few suggestions and requests.

Thanks,
Ron

From: Gavin He
Sent: June-08-17 10:31 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft annotated agenda for your review. Please note that SIFB has no items to report for this bi-weekly.

Regards,
Gavin He

From: Gavin He
Sent: Tuesday, June 6, 2017 4:53 PM

To: Francisco Chinchon; John Kim; Mara Bakic; Emily Kerr
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, June 12th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, June 8th, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

Agenda for the meeting
Tue 14th Jun 22 - June 14, 2022

1. ECO Credit Facility – RAP Requirements

- ECO noted the requirements for financing the Tier 4 lynx forecast variances.
  - A letter requesting incremental credit facility room of $6.13m to potential investment opportunities and a temporary increase in the borrowing facility of $23m and a extension of the existing $227 million facility to $275 million.
- Draft are preparing a draft Minister's Directive to the OFA, to provide the new and increased facilities.
- To allow for this, an Orders-in-Council (OIC) will be required for the OFA, to borrow money from the Province. The approved package has been provided to the Minister of Finance for consideration towards the June 27th OIC date, together with Energy's OIC submission.

2. Auction 26 & general fair maket clicks

- Auction Advisory still ongoing with any pulling together any approvals package for [redacted] the Minister of Finance [redacted]
- [redacted] Energy is working with Auction Advisory to [redacted] ensure the auction process is run in a manner that is consistent with the Government's policy objectives. Auction Advisory is also working to support Energy in developing all the implementation steps for Ontario's Tier 4 Lynx Plan.
  - The implementation plan is to outline steps for both organizations and [redacted] would identify [redacted] what will [redacted] be involved in implementing the plan.
  - Auction Advisory noted that [redacted] relationships are required for their participation in the implementation of the GEFF Act.
  - In order for the CEFF Act to be successful, the draft materials, under review by Auction Advisory, will require approval by Cabinet and subsequently the Minister of Energy, then the Minister of Finance approve the request.
- As currently proposed, the Minister will be requested to consider and sign the Directive by the end of June, which will be followed by the OIC in July.
  - Draft materials from Energy state that the likelihood of the Indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
  - Auction Advisory noted that [redacted] would be [redacted] responsible for liability related to approvals and auction. For legal terms associated with the auction, Auction Advisory will be [redacted] responsible.
- CEFO staff is working on a memo and analysis on the request to Minister's legal and fiscal, consulting IESO members.
  - A set of questions on the draft materials have been provided to E-Energy Legal and relevant policy leaders at the meeting.

CONFIDENTIAL ADVICE TO CABINET OR A CABINET COMMITTEE

Commercial Info: Information that is commercially sensitive to a party, or that could reasonably be expected to prejudice the commercial interests of a party, including trade secrets.

2. Ofgem/NIAUT panel to answer one or more of the following questions:

a. On balance of the NIAUT, was it or was it not reasonable to conclude that the project's benefits outweighed the costs? In coming to this decision, the panel should consider the project's costs, benefits and risks, and whether the project represents a good use of consumers' money. The panel should also consider whether the project is innovative enough to justify NIA funding.

b. Should any successful challenge to the project's decision have implications for the project's continuation? If so, what should be the consequences for the project?

c. Was the project's decision to use the Network Innovation Allowance (NIA) funding mechanism appropriate? Should the project have been treated as Business as Usual (BAU) expenditure?

d. Was the project's decision to use the NIA mechanism to provide funding for an electricity supply licensee appropriate?

e. Should the project be allowed to continue?

Background

3. Ofgem is responsible for administering arrangements for the Independent Expert Panel (IEP) which is set up to consider objections to applications for Network Innovation Allowance funding (NIA). The IEP is made up of a pool of experts from which a panel is drawn to consider each objection. The panel's role is to provide Ofgem with advice on whether the project should be allowed to proceed.

4. Ofgem has published guidance on the NIA mechanism and the IEP process. The guidance states that the IEP panel will consider whether the project is innovative enough to justify NIA funding, and whether the project represents a good use of consumers' money. The guidance also states that the IEP panel will consider whether the project is likely to provide benefits to consumers, and whether the project is likely to be successful.

5. [redacted] objected to the project's decision to use the NIA mechanism to provide funding for an electricity supply licensee. [redacted] argued that the project should be treated as BAU expenditure, and that it should not be allowed to proceed.

6. [redacted] objected to the project's decision to use the NIA mechanism to provide funding for an electricity supply licensee. [redacted] argued that the project should be treated as BAU expenditure, and that it should not be allowed to proceed.

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10. [redacted] objected to the project's decision to use the NIA mechanism to provide funding for an electricity supply licensee. [redacted] argued that the project should be treated as BAU expenditure, and that it should not be allowed to proceed.

Fair Hydro Plan – NIA project

- The Fair Hydro Plan (FHP) will reduce the amounts charged to vulnerable consumers by the Government, and will recover the cost of the scheme on the basis of volume, which will affect consumer charges for electricity consumers.
  - As such, Jordan incorrect legal advice, DESC will have to motivate deliberate GA, which will be difficult to do without evidence of consumer harm. This will be supported by a request from the Minister of Energy in order to change the e.g.

the millions are [redacted] and [redacted] [redacted] are deferred GA costs. Alberta will also continue [redacted] further than when they are [redacted]

- While deferred costs will eventually be recovered from ratepayers, and reflected in [redacted] the timing of recovery is uncertain. The ability to recover the costs of the PPP will [redacted] impacted by the rule defined under the plan.
  - As per TCE, anticipated costs have [redacted] from the indicative [redacted] due to [redacted]
  - See TCE's Monthly Progress Report as at July 2021 dated 5 August 2021 available [redacted] for details on [redacted] of project progress to date.
- Staff are currently [redacted] discussions within Energy on this matter to inquire whether the Minister of Energy would provide policy support for revising the [redacted] to allow for the full recovery of the PPP costs. No [redacted] timeline necessary to calculate the affected milk-run will be made available.

Compliance Letter Meeting Request

- EAGEN has recently signed an agreement with Canberra Lake Third Author [redacted] to develop a 1,000 MW hydrogen facility [redacted] (the "Project"). The degree of generation from the hydrogen facility [redacted] which connect.
- [redacted] Minister of Energy, that discussions take place [redacted] in the Alberta Electric System Operator [redacted] Compliance Letter Meeting Request to the OEIC. [redacted] Compliance Letter Meeting Request [redacted] [redacted] [redacted]

- In response to the letter from CLTA to the Minister, staff for GVTC will propose a respective Long-term Minister of Energy.

MNOS star rev. dLOF Application

- In July 2016, MNOS Solar Inc. received a conditional offer of a loan guarantee under the dLOF for approximately $5.5 million. MNO accepted the conditional offer in August 2016.
- At this time, there is no reason to believe that the guarantee agreement will not be successfully concluded within usual dLOF guarantees.
- CRE, comments on same key documentation, including the limited partnership agreement, and expects to receive the final documents in the next few weeks. Already effective interest negotiation between parties usually takes several months. Enough time remains to close.
- Over the the passage of time, staff have considered leaving the loan runs on 30 year amortization for 15 per cent of the loan at the IDT contract, as opposed to 15 per cent amortization over 15 years. This would have reduced the annual payment by approximately $0.5 million rather than having to reduce it to approximately $4 million.
  - The decision [redacted] was made by the dLOF, working in close by the end of the [redacted] to ensure a [redacted] balance between [redacted] and [redacted] [redacted] [redacted]

Other Applicants to the ELGP

- Draft rule contemplates only non-LCF applications for three wind elements:
  - Expedition Wind (1,232 MW; Eddy/Lea Counties, NM) – Pattern Energy is a new Expedition Group entity guarantee; the 1,232 MW Eddy/Lea Wind project shares one offtaker/LA, under-way, and the 522 MW North Fork Wind project which is under-way and has a signed offtaker/LA, but neither project has yet executed new amendments or end-date agreements under the Expedition Group investment organizational, and thereby disadvantaged, nonexistent project
  - Wind Energy Technology International (WETI)

OTHER RELIEFS

Oskie Transaction

- Closing for Tranche 1 payment of Oskie transaction will be subject to OCAREIS Con June 30, 2021 and Tranche 2 is scheduled to close on June 30, 2023.
- Minister of Finance approval will be required for these MoF loans, contingent liabilities contained in previous several administrative contracts that will be assumed by OCAREIS Con, including but not limited to, all liabilities and claims, all environmental liabilities, indemnification of directors and officers of OG Oskie and OG Oskie Management Co. Ltd., and all liabilities in respect of the Oskie Mine Pension Fund in respect of third party claims, for all liabilities and claims, related to Oskie's operations, including historical and immovable and pension liabilities.
    - Should required the 6+, 3/6 approvals will be forthcoming from AGMR'S and Oskie.

College Class Exemption Regulation

- MAGCO Ottawa will be sending shortly a request to Minister of Finance for limited college class exemption regulation under basket on materiality thresholds.
- Such exemption regulation would be pursuant to the Investment Canada Act(ICA), and the time (pending a review of regulations under the relevant legislation – including investors rules on 'potential owners to prescribe or not), and MAGCO will be subject to the ICA as opposed to a more limited class exemption under the existing Part 1 ICA provisions.

Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's approval to issue a notice of termination to the Federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future investments made by investors in the Immigrant Investor Program.
    - a. The termination notice should be delivered before the next allocation of funds invites. Otherwise the enrollment of the EAE could be pushed back to 2025-26.
- Ontario's Immigrant Investor Program is a key source of capital for Ontario businesses and a tool that the province uses to strategically measure and be more targeted entirely.

From: Usman Zahid
To: Ronald Kwan
Subject: RE: MO Bi-weekly Agenda
Date: Monday, September 25, 2017 1:26:40 PM
Attachments: MO Bi-Weekly Sept 27 2017 CEFD.docx

Hi Ron,

Mara has asked to include a few additional edits. Attached is a markup relative to the version I send earlier today.

Regards,
Usman

From: Usman Zahid
Sent: Monday, September 25, 2017 11:20 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Attached is the proposed MO bi-weekly meeting agenda for the Wednesday, September 27, 2017 meeting.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: September 12, 2017

1. IESO Credit Facility

- Staff are working to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $600 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $497 million.

- 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].
- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - Originally, staff had recommended the Minister sign a directive but instead are pursuing putting in place the intercept provision as required under the OFA's Lending Policy.
    - Staff are waiting for comments from Energy and IESO and potentially anticipate an outreach from Energy at various levels.

2. Ontario Nuclear Funds Agreement (ONFA) Technical Amendment and CNSC public hearing

- As indicated at the time of the post-ONFA Reference Plan approvals in 2016-17, CEFD staff have worked with MOF Legal on drafting a technical amendment to ONFA to include the Bruce Power Radioactive Waste Operations Site 1 (RWOS1) and the Bruce Power Central Maintenance and Laundry Facility (CMLF).
    - The amendment would allow for costs associated with these facilities to be included in the ONFA cost estimates, following direction from the Canadian Nuclear Safety Commission (CNSC) to include these cost estimates as part of the calculation of and inclusion in the Province's guarantee to the CNSC, if required.
    - The Provincial Guarantee to the CNSC has historically been calculated as OPG's financial guarantee requirement, less the value of OPG's nuclear funds (excluding amounts due to the Province).
    - Cost estimates for these two facilities are very small relative to the total nuclear liability estimate (PV$ 12M or C$44M), and, therefore, would not have a significant impact on OPG's nuclear rates.
    - Amendments to ONFA require approval from the Minister of Finance.

- The draft amendment would also allow for additional costs related to licensed facilities the CNSC might obligate OPG to include in its financial guarantee requirement to the CNSC, to be added to ONFA in the future, if approved by the Province.
    - This change would streamline the approval process in the future as the addition of facilities to the ONFA would not require a full technical amendment, while still ensuring that the Province would have rights of approval.

- A final execution copy of the amendment was provided by MOF Legal to OPG for sign off on June 15th.

- CEFD staff recommends that the Minister approves the technical amendment as soon as possible, preferably prior to the CNSC hearing on October 11.

- CEFD staff is also available to brief the Minister on what will be discussed by OPG and the CNSC at the public hearing as well as on the responses Provincial staff suggest using to questions the Province may receive from the panel members.

3. Constance Lake First Nation (CLFN) Meeting Request

- On July 26, 2017, the Chief of CLFN again wrote to the Minister of Finance requesting a meeting with the Minister or Deputy Minister to discuss the parameters of the proposed discussion with OEFC.
- After consulting with MIRR and ENERGY, staff proposed that the Minister or Deputy accept a future meeting with the Chief of CLFN and staff can provide speaking points for such a meeting.
- Staff understand that a response letter has been sent to the Chief of CLFN proposing a meeting with the Deputy Minister. Staff will follow-up with DMO regarding scheduling a meeting between the Deputy Minister and the Chief of CLFN.

4. Wataynikaneyap Power L.P – Federal Contribution

- Wataynikaneyap Power LP is planning to develop and operate electrical transmission and distribution lines in northwestern Ontario (the "Project"). The Project will be financed with equity, senior debt and, as proposed by Energy, a Provincial loan to be supported by a possible contribution from the federal government. This financing structure and potential federal contribution is currently under discussion between the provincial and federal governments.
- On September 18, Energy presented to PO and CO its proposal for a Provincial loan to the Project. Staff from OFA and TBS attended this meeting.
- The proposed structure would entail that limited recourse debt to the Project, e.g., $1.5 billion, assuming a $1.9 billion project cost. The Provincial loan would be serviced and repaid by annual federal contributions.
    - Energy requested a negotiating mandate that would allow flexibility to the negotiator to set the repayment terms of a loan (e.g. 40-year vs.10-year payment, fixed or escalating).

- This loan to the Project would be subordinated to senior debt and only secured with a first charge assignment of the payments to be made by Canada to the Project.
- If the federal government ceases payments, Energy proposes that Watay could apply for cost recovery from ratepayers.
- Although the proposed structure would reduce the cost of the Project to ratepayers, depending on the structure of the loan, there may be a significant fiscal risk to the Province as the federal government contributions would be subject to annual appropriations, resulting in the need for an upfront provision to be taken.
  - OPCD would evaluate a requirement to record a provision against the loan based on an assessment of default would be required based on the estimated recoverable value.

- The First Nation proponents in the Project have submitted an application to the Aboriginal Loan Guarantee Program (ALGP) to support its planned equity investment.
  - The applicant's current loan guarantee request is $300 million, based on an earlier capital cost estimate of about $1.5 billion and no federal contribution.
  - A Treasury Board submission is being prepared to enable the ALGP to provide the requested amount. The submission would seek an exemption from typical ALGP parameters ($50 M maximum, and up to 75% of the equity) regarding the Project to meet the request. In addition, based on the initial $300 million request, a conditional increase to the program envelope by $200 million would also be requested to accommodate the Wataynikaneyap Transmission Project.
  - The estimated required amounts could be significantly affected by the outcome of the discussions with the federal government.

OTHER ISSUES

5. OCGC S.28 Approval of Indemnities in Sidense Sales Agreement

- OCGC ~~has~~staff have advised OFA that ~~it requires~~ the Minister of Finance's s.28 approval is required in order for OCGC to provide certain indemnities in regard to the sale of its equity interest in Sidense.
  - In the sales agreement, OCGC is required to provide ~~Ownership~~ownership and ~~Authority Representations~~authority representations and to indemnify the ~~Purchaser~~purchaser if those representations are inaccurate.
  - ~~Without~~According to OCGC staff, if s. 28 approval~~,~~ is obtained then OCGC ~~will not~~would be able to execute the agreement and monetize its investment in Sidense ~~($~~, generating a positive fiscal impact of $7.~~7 million).~~ 7M. If s 28 approval is not obtained, there would be a negative fiscal impact of $2.7M.
- OCGC is working with staff at MRIS on the s.28 approval request package to be signed by their Minister.
- OCGC advised that the target date for signing the agreement ~~is~~was planned for September 25th with financial close on September 29th. Apparently ~~the~~this timeline is being driven by the purchaser (a US public company) who would like to disclose the purchase in its financial statements for this quarter.

- OCGC staff were advised by OFA staff that s.28 approval by Monday ~~is~~September 25th was not feasible given that (i) MRIS has not signed off on the s.28 approval request package, (ii) OFA and MoF Legal staff need time to review the documentation and (iii) both the Minister and DM ~~are~~of Finance will be out of the office until Thursday September 28th.

6. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
  - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
  - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
  - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

From: Ronald Kwan
To: Gavin He
Cc: Deena Padamadan
Subject: RE: MO Bi-weekly Agenda
Date: Friday, June 09, 2017 12:30:33 PM
Attachments: Annotated Agenda MO June 12 2017_CEFDv1_Markup.docx

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Hi Gavin,

A few suggestions and requests.

Thanks,
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From: Gavin He
Sent: June-08-17 10:31 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: MO Bi-weekly Agenda

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Regards,
Gavin He

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Sent: Tuesday, June 6, 2017 4:53 PM
To: Francisco Chinchon; John Kim; Mara Bakic; Emily Kerr
Subject: MO Bi-weekly Agenda

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Please let me know if you have any questions.

Thanks,
Gavin He

Agenda for the meeting
Tue 14th Jun 22 - June 14, 2022

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  - Auction Advisory noted that [redacted] would be [redacted] responsible for liability related to approvals and auction. For legal terms associated with the auction, Auction Advisory will be [redacted] responsible.
- CEFO staff is working on a memo and analysis on the request to Minister's legal and fiscal, consulting IESO members.
  - A set of questions on the draft materials have been provided to E-Energy Legal and relevant policy leaders at the meeting.

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b. Rate Case Matters

i. Currently, in the Base Rate Case proceeding, the Independent Examiner's Report is expected to be issued on or about [redacted]. Thereafter, [redacted]

ii. [redacted]

iii. [redacted]

iv. [redacted]

v. [redacted]

vi. [redacted]

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- [CAREDX] have recently reached an agreement with Commerce Lake Fund before the [redacted] and [redacted] to provide [redacted] in exchange for [redacted] equity interest in the acquiror and its subsidiaries.
  - In order to facilitate further discussions between [CAREDX] and [redacted], they requested that [redacted] enter into a non-disclosure agreement ("NDA") with [CAREDX] and [GE HC regarding] [redacted] of Commerce Exim that disparagement terms to [GE HC] [redacted]
  - [redacted] has also sent a request to the Minister of Finance [redacted] seeking approval to enter into discussions with [CAREDX] and [redacted] and to enter into a [redacted] agreement that may or may not exist with [CAREDX] and [redacted]
- [GE HC] wanted enter into a framework agreement without a downtime [redacted]
  - [GE HC] is mandated with managing MoC-company until their conclusion. [GE HC] cannot enter into new agreements outside the PTAs
- Subject [redacted] in the region, staff can [redacted] meeting with [redacted] [redacted] [redacted]

- Due to the passage of time, staff have promulgated leasing fee rates up to 30 year terms based on CPI indexing as well as fixed rate increases of 3% per year and some leases for CPI indexed fees as long as the minimum fee is greater than approximately $3.5 million rather than having to reduce it to approximately $2 million per year.
  - The following [illegible] rates have been [illegible] leasing fees for 21 years [illegible] for the [illegible] [illegible] [illegible]

c) Debt-related:

b. Gabio Transaction

- Closing for Tranche 1 amount of Gabio transaction will be subject to OGIRB Core June 2021 approval. Tranche 1 is expected to close on June 30, 2021.
- Minister of Finance approval will be required for these MoF loans, contingent liabilities covered in previous second administrative contracts that will be assumed by the Government of Gabio, including but not limited to all environmental and environmental liabilities, indemnification of observers and officers of GIS (GIBA and GIRB) and Gabio Petroleum Fund, and all liabilities and claims against the Gabio Petroleum Fund in respect of third party claims, for all liabilities and claims, related to Gabio's operations, including historical and immovable and pension liabilities.
    - Should required the no. GS approvals will be forthcoming from GGIRB Fund and GGIRB.

2.5 College Class Exemption Regulation

- MoECD Minister will be sending shortly a request to Minister of Finance for limited college class exemption regulation under based on materiality thresholds.
    - Exemption regulation will be based on materiality thresholds, including activity and time (providing a review of regulations under the revised legislation – including investors rules on potential owners to prescribe or not), and MoECD will be requesting to be exempted for a more limited class exemption under the existing Class 1-25 provisions.

2.6 Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's approval to send a notice of termination to the Federal Minister of Immigration, Refugees and Citizenship advising that the Province intends to no longer guarantee the repayment of any future investments made by foreign nationals in the Immigrant Investor Fund.
    - a. The termination notice should be delivered before the next allocation of Federal monies. Otherwise the commitment of the CAD could be ported back to 2020-21.
- Ontario's Immigrant Investor Program is the largest provincial program in Canada and we anticipate that the unfavourable adjustments to immigrant investors will be more than entirely

From:	Ronald Kwan
To:	Gavin He
Subject:	RE: MO Bi-weekly Agenda
Date:	Monday, May 29, 2017 12:47:49 PM
Attachments:	Annotated Agenda MO May 29 2017_CEFD_v2.docx Annotated Agenda MO May 29 2017_CEFD_Markup2.docx

Hi Gavin,

I made a few more edits, as attached.

Ron

From: Ronald Kwan
Sent: May-29-17 04:01
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

Some suggestions, as attached.

Thanks,
Ron

From: Gavin He
Sent: May-26-17 4:56 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft annotated agenda for your review.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, May 23, 2017 12:34 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: MO Bi-weekly Agenda

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The next MO bi-weekly meeting will be on Monday, May 29th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, May 25th, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MO UPDATE: May 29, 2017

1. Benefit to OEFC under s. 50.3 of the *Electricity Act, 1998*

- On May 9, 2017, Treasury Board approved the statutory appropriation allowing the Ministry of Finance to make a payment under s.50.3 of the *Electricity Act, 1998* related to the secondary offering of Hydro One shares in April 2016.
    - In April 2017, the Minister approved an amount of $411,152,733 to be paid to OEFC from the share sale.
- CEFD staff are now moving forward to seek the Minister of Finance's approval to direct a payment to OEFC under s.50.3, through a remission of OEFC debt owed to the Province.
    - The Minister's authority under the *Electricity Act, 1998* includes making the payment to OEFC in a form other than cash, including by granting a remission of all or part of a debt owed by OEFC to Ontario.
    - In 2016, as a consequence of the November 2015 Hydro One IPO, the Minister of Finance provided a financial benefit to OEFC of approximately $172M by granting a remission of debt owed to the Province.
- The Minister's approval would allow for the remission of OEFC debt maturing on June 21, 2017 in the amount of $411,152,733 noted above.
    - To execute the debt remission on June 21, 2017, the Minister's approval must be received, ideally at least 7 days in advance.

2. IESO Credit Facility – FHP Requirements

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - A letter requesting incremental credit facility room of $1.5 Bn in potential borrowing requirements is requested, composed of a new FHP-purpose facility of $2 bn, and a reduction of the existing $975 million facility to $475 million.
- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
- To allow for this, an Order-in-Council (OIC) will be required to borrow money from the Province. CEFD staff is currently working on the OIC and it's tracking towards the June 27th LRC date, together with Energy's LRC submission.

3. MNO Solar Inc. ALGP Application

- The Ministry of Finance is continuing negotiations with MNO related to broadening the ownership of Hydro One to MNO. While the current position is to offer $15M in seed capital for an MNO investment vehicle, that offer was declined by MNO. MNO has asked for assistance related to its ALGP application.

- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate nameplate capacity of about 13 MW. All sites have reached commercial operation.
- In July 2016, MNO Solar Inc. received a *conditional* offer of a loan guarantee under the ALGP for $6.471 million. MNO accepted the conditional offer in August 2016.
- At this point, there is no reason to believe that the guarantee agreement will not be successfully concluded within usual ALGP parameters.
- OFA comments on some key documentation, including the limited partnership agreement, and intercompany loan agreements, remain unaddressed. The process of documentation negotiation between parties usually takes several months, though timing could be shorter or longer.
- The financial model and project report are currently being updated from the versions at the time of the conditional offer.

  These are being updated to reflect recently received information (Amortization schedules for the Intercompany Loan Agreement, a summary of operating costs to-date, and a summary of historical generation to-date), to support the conclusion of the guarantee process and the final loan sizing supportable under the ALGP.

4. Cochrane Solar Project Update

- The Applicant and its project partner continue to consider whether they wish to pursue a guarantee well below the amount of the application (~50%) or whether they wish to defer their application until a proven snow clearing plan can be demonstrated.

5. Other Applicants to the ALGP

- Staff are continuing to work on ALGP applications for three wind electricity generating projects (the 300 MW Henvey Inlet Wind project, the 100 MW Belle River Wind project, and the 100 MW North Kent Wind project – the latter two were awarded power purchase agreements under the Green Energy Investment Act), and the Wataynikaneyap transmission project.

6. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as they believe a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.

- Staff have sent a proposed termination agreement to Northland that provides assurance to Northland of OEFC's continued calculations of the indices on the basis of the original PPA; Staff are currently awaiting a response from Northland.

7. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
- A response letter has been drafted for the Minister of Finance's signature that will serve as both a response to Minister of Energy and as an authorization for OEFC to recover payments over 6 months.
- The OEFC would recover the first of these six payments from the IESO for the upcoming monthly settlement, based on agreement from Minister's staff, pending the Minister's signed response letter, if such is not possible prior by May 29.

OTHER ISSUES

8. OLG seeks approval to obtain a $91.8M loan for Lottery Terminals and Network Expansion (LT&N) Program

- In May 2017, OFA received a business case and loan request for $91.8M from OLG to finance the replacement and expansion of OLG's lottery terminals and networks.
    - OLG is engaged in a procurement process for the lottery terminals and network expansion. A Request for Proposals (RFP) is expected to be released May 30, 2017.
- OLG is requesting approval by July 17, 2017 to support providing financing, and completion of a loan agreement by January 2018.
- CEFD staff are currently reviewing the business case in order to seek the Minister's approval for a loan by July 17, 2017.
    - CEFD staff are working with OFA legal on drafting a Minister's directive, pursuant to subsection 16(2) of the *Capital Investment Plan Act, 1999*.
    - In addition to the directive, the Minister would also be asked to sign
        - Approval documents, pursuant to subsection 4(3) of the *Ontario Lottery and Gaming Corporation Act, 1999* and subsection 28(1) of the *Financial Administration Act*; and
        - A letter addressed to President and CEO of OLG, regarding arranging financing through the OFA.

9. College Class Exemption Regulation

- Expecting request from MAESD Minister to Minister of Finance for limited college class exemption regulation based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD is expected to be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

10. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.
- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship

advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.

  - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.

- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

11. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investment by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request has been sent by the Minister of Transportation to the Minister of Finance and a briefing package has been prepared for the Minister.

- Metrolinx Fuel Hedging – with DMO, they may/may not require a briefing
  - Metrolinx is keen to begin hedging between 20 and 30% of their annual fuel costs. Given the fall of fuel prices over the past two years they have benefited from waiting, but now their advisors are telling them they need to begin hedging to achieve budgetary price certainty.
  - Minister's approval required for the by-laws and the contingent liabilities in the ISDA agreements.

ANNOTATED AGENDA
IMO OPEN FF- May 24, 2017

1. Benefits to GEVC under s. 56.3 of the Electricity Act, 1998

- On May 24, 2017, Treasury Board approved the necessary authorization allowing the Province to sell its remaining shares in Hydro One Limited (HOL) – 42% – through a secondary offering of Hydro One shares in April 2022.
  - The Province received approval an amount of $bil, 2017 TB to be paid to GEVC from the proceeds.
- GEVC staff are now closely forward to with the Minister of Finance's approval to amend subsection 56.3 (1) Section 4.56.3, through an amendment of GEVC Memorandum of Association.
  - The Minister's authority under the Electricity Act, 1998 includes making the amendment to GEVC's Memorandum of Association by granting an affirmative vote of all issued or allotted voting GEVC shares in Ontario.
  - In 2002, as a consequence of the November 2002 Hydro One IPO, the Minister of Finance approved a similar amendment to GEVC's Memorandum, MCTAB by granting a minimum of debt to serve the Province.
- The Minister's approval would allow for the conversion of GEVC debt-matching on HOL shares to GEVC debt-matching on HOL debt.
  - To close on the debt remission on June 23, 2017, the Minister's approval must be received, ideally at [redacted] days in advance.

2. IESO Credit Facility – $5M Single-source only

- IESO raised the potential requirements for financing the Dx-Hydro Ibexsian Agreement.
  - A debt-repayment incremental credit facility, [redacted] for IESO to potential borrowing requirements to equivalent compensation of a new PHT (customer facility of $5M - before completion of the existing $4PT Ibexsian facility is $2.5 billion.
  - [redacted]
- Staff are preparing a draft Minister's Directive for the OEN, to provide the new and revised mandate letter to IESO.
- To allow for this, an Order-in-Council (OIC) will be required to borrow money from the Province. The OIC will be presented to Cabinet for approval at the meeting towards the June 27th OIC date, together with Energy's OIC submission.
- [redacted]

MMCS star ins. d-LGF Application

- The Ministry of Finance is continuing negotiations with MMC related to transferring the ownership of hydro Zinc to MMC. While the current positions for other EOIs in the pipeline are not publicly available, the Ministry of Finance has indicated that MMC has applied for assistance related to its LGF application [redacted] [redacted]
- The MMC Estate Inc. projects is a portfolio of 10 small solar projects with an aggregate capacity of 50 MW. The MMC Estate Inc. is a subsidiary of MMC Renewables Inc.
- In July 2024, MMC Estate Inc. received a conditional offer of a loan guarantee under the LGF program. The offer was subsequently withdrawn in August 2024.
- At this point, there is no reason to believe that the guarantee agreement will not be successfully executed within several LGF parameters.
- GOE comments on same key documentation, including the limited partnership agreement, which governs the relationship between the partners in the project. [redacted] [redacted] [redacted]

NUG Candidacy

- In order to facilitate a compliance agreement between the Independent Electricity System Operator (IESO) and a non-utility generator (NUG), the Ontario Energy Board (OEB) has established that a NUG seeks to acquire a status that terminates its obligations under the IESO-NUG contract before the expiration of the contract term. The Iroquois Falls PPA acquires at the end of 2024.
- Northland does not wish to terminate the PPA as they believe an immediate cash payment would be more beneficial to the company. Northland has requested that the OEB's calculation of the escalation and indexation of power in the Iroquois Falls PPA, which is currently set at 0%, be increased to a minimum of 2% per year.
- Staff have seen a previous termination agreement in Ontario that provides acceptance and fulfillment of OEB's contract calculations, of the methods on the basis of the original PPA. Staff are currently awaiting a response from Northland.

Recovery of Expelled NUG payments

- On April 26, 2021 the Minister of Energy sent a letter to the Minister of Finance requesting that the Ontario Power Authority (OPA) recover payments made to NUG facilities through the Independent Electricity System Operator's (IESO) wholesale electricity charge. The Minister of Finance has approved the request and issued a directive to the Regulated Price Plan Authority to comply.
- The OEB has been directed to establish a new charge for Ontario's ratepayers that will recover both a compromise multiplayer with energy, and as an authorized rate for OEB, to ensure all payments, over 5 months.
- [redacted] The Board does not expect the [redacted] agreement from Windsor Energy [redacted] to be finalized [redacted] The Board expects to receive the [redacted] agreement from Windsor Energy [redacted] and intends to file this by [redacted]

OTHER ISSUES

- [redacted]
- [redacted]
- [redacted]

- [redacted]

9. College Class Exemption Regulation

- Expanding eligible from $40,000 annual tax to Minister of Finance for limited college class exemption regulation for internationally financials.
- For the time being it is assumed that colleges are not going to be exempted and will continue to charge HST on tuition fees. Ontario is [redacted] to the College Class Exemption regulation. Currently [redacted] Ontario seeks no financial sacrifice to potential, or not, until MoF/TO [redacted] on the time-wasting put forth the request for a more limited class exemption under the remaining five or six provinces.

10.Investment Incentive Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Revised Immigrant Investment Fund (RIIF) and to terminate the Investment Incentive Program (IIP) for the purposes of meeting the EOI or invest its planned enrolment rates, when it is considered to be appropriate.
- The Province can trigger a suspension of the Minister of Treasurer and to send a notice of termination of the IIP to the Government of Canada. The Province is also seeking the MoF's advice on whether to terminate the program and if any funds provincial allocations transferred to the CIIC after a specific date.
  - The two options will be considered during the 2019 budget development of federal, provincial and territorial officials in the fall in order to confirm advice to MOI by [redacted].
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

11.Risk-sh/ce Fuel Hedging

- Intention is planning on hedge its fuel costs by entering into financial derivatives contracts with Canadian oil-rapped banks. In order to do so, Metrolinx must obtain

Minister of Finance approval of its amended investment by loan and a new borrowing by loan are both in JE approval.

- Investment by loan approved by the Minister of Transportation to the Minister of Finance and a lending package has been prepared for the Minister.

- Waterloo, Fuel Hedging – until CIMS, they may/may not require a briefing
  - Waterloo is lower in large hedging between 20 and 50% of their annual fuel costs. Given the risk of fuel prices on the petroleum prices they have developed a hedging program. Waterloo is not required to get approval from the province to continue hedgeway price contracts.
  - Wished to approve required for the by laws and the contingent liabilities in the MOA agreements.

From: Ronald Kwan
To: Gavin He
Subject: RE: MO Bi-weekly Agenda
Date: Monday, May 29, 2017 7:00:09 AM
Attachments: Annotated Agenda MO May 29 2017_CEFD_Markup.docx

---

Hi Gavin,

Some suggestions, as attached.

Thanks,
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From: Gavin He
Sent: May-26-17 4:56 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

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Thanks,
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From: Gavin He
Sent: Tuesday, May 23, 2017 12:34 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
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  - In April 2017, the Minister approved an amount of $411,152,733 to be paid to OEFC from the share sale.
- CEFD staff are now moving forward to seek the Minister of Finance's approval to direct a payment to OEFC under s.50.3, through a remission of OEFC debt owed to the Province.
  - The Minister's authority under the *Electricity Act, 1998* includes making the payment to OEFC in a form other than cash, including by granting a remission of all or part of a debt owed by OEFC to Ontario.
  - In 2016, as a consequence of the November 2015 Hydro One IPO, the Minister of Finance provided a financial benefit to OEFC of approximately $172M by granting a remission of debt owed to the Province.
- The Minister's approval would allow for the remission of OEFC debt maturing on June 21, 2017 in the amount of $411,152,733 noted above.
  - To execute the debt remission on June 21, 2017 the Minister's approval must be received ideally 7 days in advance.

2. IESO Credit Facility – FHP Requirements

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
  - ~~A letter requesting incremental credit facility of $1.5 Bn in potential borrowing requirements is requested, composed of a new FHP-purpose facility of $2 bn, and a reduction of the existing $975 million facility to $475 million.~~
  - ~~OFA expressed the view to IESO that a new, separate facility for FHP would better track the amounts related to the FHP.~~
- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
- To allow for this, an Order-in-Council (OIC) will be required to borrow money from the Province. CEFD staff is currently working on the OIC and it's tracking towards the June 27th LRC date, together with Energy's LRC submission.

~~3.1. OLG seeks approval to obtain a $91.8M loan for Lottery Terminals and Network Expansion (LT&N) Program~~

- ~~In May 2017, OFA received a business case and loan request for $91.8M from OLG to finance the replacement and expansion of OLG's lottery terminals and networks.~~

- ~~OLG is engaged in a procurement process for the lottery terminals and network expansion. A Request for Proposals (RFP) is expected to be released May 30, 2017.~~

- ~~OLG is requesting approval by July 17, 2017 to support providing financing, and completion of a loan agreement by January 2018.~~

- ~~CEFD staff are currently reviewing the business case in order to seek the Minister's approval by July 17, 2017.~~

  - ~~CEFD staff are working with OFA legal on drafting a Minister's directive, pursuant to subsection 16(2) of the *Capital Investment Plan Act, 1999*.~~

  - ~~In addition to the directive, the Minister would also be asked to sign:~~

    - ~~Approval documents, pursuant to subsection 4(3) of the *Ontario Lottery and Gaming Corporation Act, 1999* and subsection 28(1) of the *Financial Administration Act*; and~~

    - ~~A letter addressed to President and CEO of OLG, regarding arranging financing through the OFA.~~

~~4.~~3. MNO Solar Inc. ALGP Application

- The Ministry of Finance is continuing negotiations with MNO related to broadening the ownership of Hydro One to MNO. While the current position is to offer $15M in seed capital for an MNO investment vehicle that offer was declined by MNO. MNO has asked for assistance related to its ALGP application. ~~The OFA and Ministry of Finance have worked up a proposal that would see the offer increased to approximately $19.2M with the additional amount being support for the MNO Solar project and the MNO application to the ALGP.~~
- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate nameplate capacity of about 13 MW. All sites have reached commercial operation.
- In July 2016, MNO Solar Inc. received a conditional offer of a loan guarantee under the ALGP for $6.471 million. MNO accepted the conditional offer in August 2016.
- At this point, there is no reason to believe that the guarantee agreement will not be successfully concluded within usual ALGP parameters.
- OFA comments on some key documentation, including the limited partnership agreement, and intercompany loan agreements, remain unaddressed. The process of documentation negotiation between parties usually takes several months. The process may be accelerated by proposals agreed upon resulting from the ongoing negotiation between the Province and MNO.
- The financial model and project report are currently being updated from the versions at the time of the conditional offer.

  These are being updated to reflect recently received information (Amortization schedules for the Intercompany Loan Agreement, a summary of operating costs to-date, and a summary of historical generation to-date), to support the

conclusion of the guarantee process and the final loan sizing supportable under the ALGP.

~~5.~~4. Cochrane Solar Project Update

- The Applicant and its project partner continue to consider whether they wish to pursue a guarantee well below the amount of the application (~50%) or whether they wish to defer their application until a proven snow clearing plan can be demonstrated.

~~6.~~5. Other Applicants to the ALGP

- Staff are continuing to work on ALGP applications for three wind electricity generating projects (The 300 MW Henvey Inlet Wind project, the 100 MW Belle River Wind project, and the 100 MW North Kent Wind project – the latter two were awarded power purchase agreements under the Green Energy Investment Act), and the Wataynikaneyap transmission project.

~~7.~~6. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as they believe a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
- Staff have sent a proposed termination agreement to Northland that provides assurance to Northland of OEFC's continued calculations of the indices on the basis of the original PPA; Staff are currently awaiting a response from Northland.
- ~~At present, IESO has short term curtailment agreements with 4 other NUGs and is working towards a long term curtailment agreement with Iroquois Falls.~~

~~8.~~7. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
- A response letter has been drafted for the Minister of Finance's signature that will serve as both a response to Minister of Energy and as an authorization for OEFC to recover payments over 6 months.

- The ~~proposed letter should to be signed by May 29, 2017 in time for~~ OEFC ~~to~~would recover the first of these six payments from the IESO for the upcoming monthly settlement, based~~; verbal~~ on agreement from Minister's staff, pending the Minister's signed response letter, ~~would be acceptable~~ if such ~~signature~~ is not possible prior by May 29.

OTHER ISSUES

8. OLG seeks approval to obtain a $91.8M loan for Lottery Terminals and Network Expansion (LT&N) Program

- In May 2017, OFA received a business case and loan request for $91.8M from OLG to finance the replacement and expansion of OLG's lottery terminals and networks.
  - OLG is engaged in a procurement process for the lottery terminals and network expansion. A Request for Proposals (RFP) is expected to be released May 30, 2017.
- OLG is requesting approval by July 17, 2017 to support providing financing, and completion of a loan agreement by January 2018.
- CEFD staff are currently reviewing the business case in order to seek the Minister's approval for a loan by July 17, 2017.
  - CEFD staff are working with OFA legal on drafting a Minister's directive, pursuant to subsection 16(2) of the *Capital Investment Plan Act, 1999*.
  - In addition to the directive, the Minister would also be asked to sign~~:~~
    - Approval documents, pursuant to subsection 4(3) of the *Ontario Lottery and Gaming Corporation Act, 1999* and subsection 28(1) of the *Financial Administration Act*; and
    - A letter addressed to President and CEO of OLG, regarding arranging financing through the OFA.

9. College Class Exemption Regulation

- Expecting request from MAESD Minister to Minister of Finance for limited college class exemption regulation based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending ~~enabling legislation,~~a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD is expected to~~will~~ be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

10. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant

Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.

- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

11. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investment by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request has been sent by the Minister of Transportation to the Minister of Finance and a briefing package has been prepared for the Minister.

- Metrolinx Fuel Hedging – with DMO, they may/may not require a briefing
    - Metrolinx is keen to begin hedging between 20 and 30% of their annual fuel costs. Given the fall of fuel prices over the past two years they have benefited from waiting, but now their advisors are telling them they need to begin hedging to achieve budgetary price certainty.
    - Minister's approval required for the by-laws and the contingent liabilities in the ISDA agreements.

From: Gavin He
To: Ronald Kwan
Subject: RE: MO Bi-weekly Agenda
Date: Friday, May 26, 2017 4:55:58 PM
Attachments: Annotated Agenda MO May 29 2017_CEFD.docx

Hi Ron,

Please find attached the draft annotated agenda for your review.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, May 23, 2017 12:34 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, May 29th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, May 25th, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MO UPDATE: May 29, 2017

1. Benefit to OEFC under s. 50.3 of the *Electricity Act, 1998*

- On May 9, 2017, Treasury Board approved the statutory appropriation allowing the Ministry of Finance to make a payment under s.50.3 of the *Electricity Act, 1998* related to the secondary offering of Hydro One shares in April 2016.
    - In April 2017, the Minister approved an amount of $411,152,733 to be paid to OEFC from the share sale.
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- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - A letter requesting incremental credit facility of $1.5 Bn in potential borrowing requirements is requested, composed of a new FHP-purpose facility of $2 bn, and a reduction of the existing $975 million facility to $475 million.
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- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
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- The proposed letter should to be signed by May 29, 2017 in time for OEFC to recover the first of these six payments from the IESO; verbal agreement from Minister's staff would be acceptable if such signature is not possible prior by May 29.

OTHER ISSUES

9. College Class Exemption Regulation

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  - Metrolinx is keen to begin hedging between 20 and 30% of their annual fuel costs. Given the fall of fuel prices over the past two years they have benefited from waiting, but now their advisors are telling them they need to begin hedging to achieve budgetary price certainty.
  - Minister's approval required for the by-laws and the contingent liabilities in the ISDA agreements.

From: Ronald Kwan
To: Gavin He
Subject: RE: MO Bi-weekly Agenda
Date: Monday, March 20, 2017 9:46:17 AM
Attachments: Annotated Agenda MO Mar 20 2017_CEFD_v1_Markup.docx

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Hi Gavin,

See attached.

Ron

From: Gavin He
Sent: March-16-17 21:02
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the proposed agenda for Monday's MO bi-weekly meeting.

Please let me know if you have any questions.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, March 14, 2017 10:34 AM
To: John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, March 20th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, March 16th, 2017** for Ron to review?

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Please let me know if you have any questions.

Thanks,

Gavin He

ANNOTATED AGENDA
SEC UPDATE 39 - Sept 4-29, 2017

STATIC TRUST V. ACTIVE TOP TRADING NEXUS RULES: ISSUES

1. Trillium Trust

Trillium Trust is a [illegible] fund [illegible] Hedges on the Winning by HFRE Fundamental for the Trillium Trust has a [illegible] Trillium Trust is [illegible] Trillium Trust is [illegible] Trillium Trust is

- Would likely need a multi-year plan (requiring annual approval) with a maximum number of Pluto Hydro shares to be issued from time to time stated in official documentation.
- Timing is an issue: there may be a shortfall between funds received from the Pluto Holdings sale and funds needed to purchase assets from Electricity.

5. Pluto e-Hire – Financial Benefits to GE (s. 16.3 of the Electricity Act)

Ministry of Finance is drafting a Treasury Board submission that provides a recommendation to transfer Pluto e-Hire from GE to Pluto Hydro in accordance with s.16.3 of the Electricity Act.

- Pluto e-Hire is a subsidiary of Phoenix to provide EV/EV, with a financial benefit to be held Phoenix with Hydro Corp shares.
- The financial benefit is being paid as a result of the ownership offering of Hydro One Limited.

- The benefit would accrue to GE in 2022-23 but could be administered in 2021-22 as a transfer from one entity to another.

6. Global Quantum Lawsuit Follow-up

- GE IC has determined adjustments for this years, prior to 2018 for Eastern NUGs. Adjustments are based on the difference between the actual HOEP and the average contract terms and price provisions as these that were under consideration by the courts. These NUGs entered into Eastern® agreements with GE IC in the 1990s.
  - Adjustments are based on the difference between the actual HOEP and the average contract terms and price provisions as these that were under consideration by the courts.
  - As all Eastern® NUGs have either expired or been terminated early, no adjustments are required for the current and future years.
- GE IC has energy contracts with many generators in Eastern® NUGs for 2018 through the various gas procurement processes under the contracts.
  - GE IC has no contracts with generators in Eastern® NUGs for generation which occurred within the last year timeframe period.
  - NUGs may hold the view that they should be given retroactive payments for the adjustments made by GE IC.
- As GE IC recovers the full cost of contracts through the Global Adjustment, including legal costs, there is no impact expected on the unfunded debt. Will recovery be done through the monthly settlement process of the IESO.

6. AUCP-1 and Kapitik Conditional Offer Package

- Coal Peoples Power Corporation (CCPP), wholly-owned by Tagbina Tagpena Kahns (TTK), is seeking a new guarantee under the AUCP. The loan would allow CCP to refinance its existing debt and fund the construction of a new coal-fired power plant with Fuser Submarine's L-Generating Station at a lower interest rate than the current market rate for such debt.
- The conditional offer letter was approved and an OIC was obtained at the December 1-5, 2014 IEIC meeting.
  - This application involves the interests of a Tri-Nettie-1 trade.
- Due diligence and legal/loan documents are close to being finalized, with the assistance of external counsel, Bonnie Bonnie Bonnie

CONFIDENTIAL

1. **DLA Position 2B Modernization**
   - As of **[redacted]**, working group has developed options for modernizing a 2B of the DLA. **[redacted]**
2. **College Class-E exemption**
   - Proposed regulation (as well as terms and conditions for the draft Briefing Policy Directive) for C-Wings has been drafted and is currently being reviewed by college leadership.
   - NAVSEA and ATA currently reviewing their 2B approval process including timing and information requirements with a view to further streamlining the process.

Pan-shore Fuel Hedging

- Pan-shore is considering fuel costs by entering into financial derivatives contracts with Canadian oil refiners. In order to do so, Manitoba must obtain borrowing authority from the Legislature to borrow up to one billion borrowing by late as well as s. 35 approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

From: Gavin He
To: Ronald Kwan
Subject: RE: MO Bi-weekly Agenda
Date: Thursday, March 16, 2017 9:01:54 PM
Attachments: Annotated Agenda MO Mar 20 2017_CEFD_v1.docx

Hi Ron,

Please find attached the proposed agenda for Monday's MO bi-weekly meeting.

Please let me know if you have any questions.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, March 14, 2017 10:34 AM
To: John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly Agenda

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Thanks,
Gavin He

ANNOTATED AGENDA
MO UPDATE: March 20, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Trillium Trust:

Ministry of Finance / TBS are finalizing changes to the Ministry's PRRT submission for the Trillium Trust that would reduce the level of projected funding for infrastructure to come from the Trillium Trust in 2017-18.

- The change relates to the GO RER project. The project is currently tracking to receive contributions from the Trillium Trust, the Federal government, Green Bonds, and the Greenhouse Gas Reduction Account (GGRA) that would altogether exceed its forecast expenditure.
- Contributions from the federal government, GGRA, and Green Bonds are inflexible, which leaves the Trillium Trust as the vehicle for reduced funding towards GO RER.
- MOF / TBS are proposing to fund $60 M of GO RER costs through the Trillium Trust (down from $360 M), which would mean projected total Trillium Trust drawdowns for 2017-18 of about $400 M.

2. Ontario Fair Hydro Plan – Equity Injection:

Staff from OEFC, OFA capital markets, Ministry of Finance, and OPG held a teleconference to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The Province has proposed refinancing a portion of the Global Adjustment costs over a longer time period for Regulated Price Plan eligible customers.
- The Province intends to introduce legislation to setup a special purpose vehicle, referred to herein as "OPG Trust", which would handle the deferral of the global adjustment as well as the eventual recovery of the deferred amount, along with financing and administration costs, from ratepayers.
- OPG Trust would be financed directly from the capital markets (51% of OPG Trust's capital structure) and 49% from loans from OPG. OPG would fund the majority of its loan to OPG Trust (44% of the capital structure) via an equity injection from the Province.
- OPG commented that:
    - Interim financing might be required for OPG Trust, particularly for the 51% of the GA funded through capital markets.
    - Would likely need a multi-year plan (requiring annual approval), with a description of the aggregate shares to be issued from time-to-time drafted in official documentation.
    - Timing is an issue; there may be a shortfall between funds received from the Province/Market and funds needed to purchase assets from IESO.

- The CEFD and EIGS staff will be to establish clarity and steps required on the Provincial approvals for the equity injection; however, additional questions were raised during the discussion:
    - How/What the approval process will be for OPG, OFA, TBS, and Province?
    - What would be the source of interim financing if there are time lags?

3. Hydro One – Financial Benefit to OEFC (s. 50.3 of the Electricity Act):

Ministry of Finance is drafting a Treasury Board submission to provide a financial benefit to the Ontario Electricity Financial Corporation (OEFC) in accordance with s. 50.3 of the Electricity Act.

- Under the Electricity Act, the Ministry of Finance is to provide OEFC with a financial benefit when the Province sells Hydro One shares.
- The financial benefit is being paid as a result of the secondary offering of Hydro One shares.
- The financial benefit is estimated at about $411 million.
- The payment is fiscally neutral as the expense to the Ministry of Finance is fully offset against the receipt of revenue of OEFC on consolidation of OEFC in the Public Accounts.
- The benefit would accrue to OEFC in 2016-17 but would be administered in 2017-18 by remitting debt owed by OEFC to the Province.

4. Global Adjustment Lawsuit Follow-ups

- OEFC has determined adjustments for the years prior to 2016 for Standstill NUGs.
    - There are several NUGs not involved in the lawsuit which have PPAs that contain similar terms and price provisions as those that were under consideration by the courts. These NUGs entered into Standstill Agreements with OEFC (Standstill NUGs).
    - As OEFC's application for leave to appeal was unsuccessful, OEFC would also have to make retroactive payments to Standstill NUGs.
    - As all Standstill NUGs have either expired or been terminated early no additional go-forward payment adjustments would be required.

- OEFC had already made retroactive payments to Standstill NUGs for 2016 through the normal rate adjustment process under the contracts.
    - OEFC will only be making retroactive payments to standstill NUGs for generation which occurred within the two year limitations period.
    - NUGs may hold the view that they should be given retroactive payments for the period beyond two years.

- As OEFC recovers the full cost of contracts through the Global Adjustment, including legal costs, there is no impact expected on the stranded debt. This recovery is done through the monthly settlement process of the IESO.

5. ALGP: Coral Rapids Conditional Offer Package

- Coral Rapids Power Corporation ("CRP"), wholly-owned by Taykwa Tagamou Nation ("TTN"), is seeking a loan guarantee under the ALGP. This loan would allow CRP to finance its investment in a partnership which was formed to own and operate the 28 MW Peter Sutherland Sr. Generating Station at a lower interest rate than the alternative (a loan from its partner).
- The conditional offer letter was approved and an OIC was obtained at the December 13, 2016 LRC meeting.
    - This application involves the interests of a Schedule 1 bank.
- Due diligence and legal/loan documents are close to being finalized, with the expectation being the briefing package will be sent to DMO early the week of March 20. Closing is ideally targeted the same week so the timeline is tight and assistance coordinating with TBS is appreciated. Staff request an approval to meet the closing date and execute the final loan guarantee agreement. Staff are available for a briefing if requested.

6. OEFC Lending to IESO

- The OEFC provides IESO two current credit agreements:
    (1) Loan Agreement, originally dated April 1, 1999; and
    (2) Revolving Line of Credit ("Revolving Credit") Agreement originally dated April 23, 2010.
- The IESO has requested that the OEFC provide up to four-year extensions [TBD] and increases to the credit agreements:
    - A loan principal amount of $135 million (increase from the current $90 million loan), which will meet IESO's forecast of funding needs for capital expenditures to maintain and upgrade market system and applications and infrastructure.
    - A revolving credit facility of up to $145 million (increase from the current $95 million credit limit), to provide IESO flexibility to meet its changing funding needs of short-term operating and working capital needs over the term of the agreement and provides additional borrowing room if required.
    - Maintaining the 50 basis point spread on both agreements, as the spread is a cost the OEFC incurs on any outstanding debt and pays annually to the Minister of Finance.
- The current Agreements are set to expire on April 30, 2017.
    - The OEFC would seek Directives from the Minister of Finance to extend the loan and credit facility. The Directives would be required before April 10, 2017 so that the OEFC and IESO can proceed to finalize and execute the respective agreements.
- A detailed briefing package is under development and will be provided shortly.

OTHER ISSUES

1. FAA Section 28 Modernization

- An OFA/MOF/TBS working group has developed options for modernizing s.28 of the FAA. Options may not require legislative amendments via Spring Bill.

2. College Class Exemption

- Proposed regulation as well as terms and conditions for the draft Binding Policy Directive for Colleges has been drafted and is currently being reviewed by college sector reps.

- MAESD and OFA currently reviewing the s.28 approval process including timing and information requirements with a view to further streamlining the process.

3. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.

- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

From: Ronald Kwan
To: Gavin He
Subject: RE: MO Bi-weekly Agenda
Date: Tuesday, February 21, 2017 10:41:53 AM
Attachments: Annotated Agenda MO Feb 21 2017_CEFD_Markup.docx

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Hi Gavin,

See attached.

Thanks,
Ron

From: Gavin He
Sent: February-21-17 10:27
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Just following up on whether you have got a chance to review the agenda yet? Please let me know if it's okay to share the agenda with Scott's team for input as well.

Thanks,
Gavin He

From: Gavin He
Sent: Friday, February 17, 2017 6:07 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft agenda for the next MO bi-weekly meeting. Please note that there are some legal issue with the Trillium Trust item, so SIFB won't have any update on for next week's meeting.

Regards,
Gavin He

ANNOTATED AGENDA
SEC UPDATE – February 21, 2017

STATIC TRACTY & ASSET OPTIMIZATION INITIATIVE ISSUES

1. **Electricity Price Mitigation** – Market monitoring, market design and market power issues

The Company will engage STAKEHOLDERS in continuing process on electricity price mitigation options to enhance the pre-existing Resilience of Decidedly Low Products [illegible] [illegible] [illegible]

- DFCC wins restriction for approval for 300mm/h valves
  - Ms Amalgamated Steel Corp's case at Rs 500 300 in Procurement Rs 45 m
  - Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m
  - Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m
- DFCC court Civil matter pertaining
  - Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m
  - Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m
  - Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m

Global & Quaint-ink Launch Follow-ups

- GE IC, has received the cross statements from legal counsel for the cogitoient NGOs. The counts awarded costs to the cogitoient NGOs, which are to be paid by GE IC.
- Other follow-ups include the Copyright Act (Cp.) and how to treat the NGO with similar circumstances. Cp. Act has been in force since 1999 and has been used in the following ways:
  1. Cp. Act has been used to protect the rights of the author of the work in the event of infringement and to provide a remedy for those who have been harmed by the infringement.
  2. Cp. Act has been used to protect the rights of the author of the work in the event of infringement and to provide a remedy for those who have been harmed by the infringement.
  3. Cp. Act has been used to protect the rights of the author of the work in the event of infringement and to provide a remedy for those who have been harmed by the infringement.
  4. Cp. Act has been used to protect the rights of the author of the work in the event of infringement and to provide a remedy for those who have been harmed by the infringement.
  5. Cp. Act has been used to protect the rights of the author of the work in the event of infringement and to provide a remedy for those who have been harmed by the infringement.
- Action: Company to file full note of contacts through the Global & quaint-ink. including legal costs. there is no impact expected on the enacted debt. This recovery is done through the monthly settlement process of the IDCo.

Container Lake Fire-fraction

- Crane-to-Lake Fire-fraction (Container Lake) have brought forward a NGO-related matter to the Ministry of Foreign Affairs (MFA), HE Hong Of Kings and Ministry of Intelligence Relations and Reconciliation (MIRR).
  - Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m
  - Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m
  - Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m
- Engagement Action projects Engagement has a non-utility generation (NUG) [redacted] with Ms Amalgamated Steel Corp's case at Rs 1 000 300 in approved Rs 45 m

As of the Briefing Book, participation, the structure is assumed to be:

- In June 2018, Commerce Law entered into a Promesse d'apprentissage energy facility with Hydro Corporation as a project sponsor to develop, construct, operate and maintain the Project. Hydro Corporation will be responsible for providing the equipment and personnel to operate the facility.
- Hydro Corporation will receive a fixed monthly payment for the availability of the facility, including the FPC, a FOC component, a variable component, and a fuel component.
- The Borrower will make loan drawdowns from the GEXC tranche that FPA to IFSCO, which is currently capitalized with loans or contributions to finance the construction of the Project. IFSCO will enter into a back-to-back loan agreement on the debt associated with the FPA.
- IFSCO may seek to use its credit facility with GRL to finance the debt.

AGIP-C and Fragile Conditional Offer Package

- The Government of Fragile has requested that Acting Captive Taggerine Kuleke (CTK) 1) launching a new partnership with the AGIP of about $42.2 million. The team will advise CTK in Ethanol its investment in a partnership action loss formal to the Government of Fragile, and (2) negotiate a partnership by Fedone on where interest rate than the alternative (a loan from its partner).
- The conditional offer letter was approved and an CVE note obtained at the December 2018 Board meeting.
- As of March 2019, negotiations of legal issues are ongoing. The current target closing date is March 31. As key documents, are expected to be finalized within the next month. Fragile has requested that the project close by the end of March to meet the repayment closing date and waive the Put/Call loan guarantee agreement.

ANNOTATED AGENDA
NEC UPDATE – Friday July 07, 2017

U RHEE-SOLVE

Pipe Dream Action (B)

- Pipe Dream Action (B) is working primo to reclaiming options for modernizing a 100 of the Pipe, but possibly backpaced at a 2047 Spring tide.

Pipe Dream Action (B) Organization (UP-Organize…S…B) appr mod

- MOU has submitted a formal a…SS approval request along with the draft project agreement and other supporting documents seeking the Minister's approval by August 31st.
- A briefing package is being prepared by GOL staff.
- Consultation on a new schedule for March 7th while financial close is scheduled to happen in [illegible].

Wall-shire Fuel Hedging

- Shareholder is planning to hedge its fuel costs by entering into financial derivatives contracts with Canadian tier-one largest banks. In order to do so, Wallshire must obtain a waiver from its lenders as the current agreement prohibits its fuel swap or new borrowing by loan as well as a…SS agreement.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

From: Ronald Kwan
To: Gavin He
Subject: RE: MO Bi-weekly Agenda
Date: Monday, February 06, 2017 6:19:28 PM
Attachments: Annotated Agenda MO Feb 06 2017_Markup2.docx

Thanks Gavin.

I also made some edits to the ONFA item.

Ron

From: Gavin He
Sent: February-06-17 17:07
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Thanks! I will share the electricity and asset optimization section with Scott's team for comments now.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Monday, February 06, 2017 4:58 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

A few suggestions.

Thanks,
Ron

From: Gavin He
Sent: February-03-17 11:48
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft agenda for your review. I will share a copy with Scott Nelms once you are good with it.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, January 31, 2017 10:43 AM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, Feb 6th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, February 2nd, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
SEC OPUS 53 - Draft as of [illegible], 2017

STATIC TRACTY 'A: ADDED TOP TWELVE ITEMS INCLUDED: ISSUES

A. Electricity Price Mitigation - Solid Powering Global A Quake on and Delivery Service Rates

The Ultimate +47 copy (ENERGY) [illegible] by comment to include an [illegible] electricity price mitigation options, including [illegible] within the cases through a [illegible] Commission [illegible] Energy Service Rates. The Ultimate +47 copy [illegible] private adjustment [illegible] copy the [illegible] to them contained in [illegible] Commission.

The options generally involve retaining current cost pass-through to consumers, and deferring part of the costs for longer-term recovery from consumers.

- Energy Service Rates [illegible] Commission [illegible] Energy Service Rates [illegible] Commission [illegible] Energy Service Rates [illegible] Commission [illegible]

- Following approval of the 2017 Reference Plan, OPG has submitted proposed contribution schedules for the Decommissioning Segregated Fund (DSF) and Used Fuel Segregated Fund (UFSF)
- The DSF and UFSF were established by Ontario Regulation 396/02 and the Decommissioning Segregated Fund (DSF) were held in a captive portfolio
- The DSF invests that there is enough funds to cover the 2017 OM&N present value estimate of the Used Fuel Segregated Fund (UFSF) and the DSF
- Contributions to the DSF and UFSF are determined by the Minister of Finance on the basis of OM&N assumptions.
- Ontario Regulation 396/02 requires annual contributions to be incremental cash contributions and for calculations the allocation of the funds made each fund to align with the estimated liabilities for the DSF and UFSF as set out in the Reference Plan.
- In the view of the PDC (OPG) is also proposing to collaborate the allocation of funds to the DSF and UFSF in accordance with the Reference Plan and Ontario Regulation 396/02 to the DSF and UFSF with the funds which are also approximately in order to the liabilities over and above the liability estimate are now allocated to the incremental liabilities.
- OPG is proposed to that the rebalancing is consistent with the cash in OM&N, and will be left recorded by the Ontario Energy Board and those participating in the rate setting process.
  - OPG has also indicated that it would be helpful if the approval is provided before the end of the year so that OPG can [illegible] the [illegible] process.
- OEB staff (EB staff) staff are reviewing OPG's submission and have assessed that technical analysis will be required for the IT review to approve OPG's submission as to the proposed contributions to the DSF and UFSF.
- To this, OEB staff [illegible] the filed to conduct the their OPG's proposed contribution to the DSF and UFSF.
- A draft Issues [illegible] has been prepared by [illegible] scheduled for Feb. 8th or 9th.

Decommissioning Segregated Fund

- In EB-20[illegible] the Board approved, [illegible] proposed by the shareholder's direction, that OPG establish a segregated fund for the purpose of funding the decommissioning of its nuclear facilities.
- [illegible] the Board also approved the [illegible] to be funded by the Ontario Nuclear Funds Agreement (ONFA) [illegible] the Board

- The Interim Order no. 4(2021) The Second Interim Establishment Ordinance

- As of Q1, the pipeline has 40 projects at construction, financial close stage, and financing, including 20 projects in the small projects program. Of these projects, 12 projects are in the construction phase, 3 projects are in the financial close phase, and 5 projects are in the financing phase.

IDP Consultations and the ALGP

- Ministry of Energy (MoE) has conducted consultations with [redacted] on the ALGP.
- MoE conducted ALGP [redacted] consultations [redacted] and the results of small projects, which represent feedback from [redacted] consultations, are [redacted] to be published in the [redacted] and more likely to seek financing agreements through programs such as ALGP.
    - CEO, staff noted that major smaller projects are able to come together to [redacted] ALGP. Staff noted that [redacted] is the only [redacted] program that currently holds a conditional offer for a loan guarantee.
- Staff are reviewing whether ALGP could be adapted to smaller projects in other [redacted] markets given that upcoming energy procurements may force an investor [redacted] projects.

Constance Lake Frontadian

- Constance Lake First Nation (Constance Lake) and Fiera Infrastructure [redacted] and [redacted] Frontadian Power Limited Partnership (Frontadian) [redacted] Frontadian Power LP [redacted] Frontadian Power GP Inc.

- Participation of Hanover does not affect the governance entitlements and the required Shareholder approvals in respect of any matters.

Hanover – ASAP 3 as will apply 3 additional Offer Package

- Capital Electric Power Corporation ("CEPC"), wholly owned by Taichung Tsukino Power Co., Ltd. ("TTP"), has entered into a binding MOU with Hanover on 15 May 2017 (see exclusivity above) for Hanover to participate in a partnership which may form a consortium with CEPC to bid for the Taichung Tsukino Power Station on a basis Hanover sees more than the alternative (to learn from its partner).
- The conditional offer letter was approved and an EOI was obtained at the Shareholder Meeting held on 15 May 2017.
  - Hanover's participation remains the interests of all Initiators 1 Group.
  - [redacted]
- Due diligence and negotiation of Definitive documents are ongoing. The current timeline is for the execution of Definitive Documents and Financial Agreements by mid-Nov 2017, [redacted] and financial close by mid-2018. Hanover sees CEPC as the most Privileged Energy deal and therefore has the most assertive (optimistic)

AGENDA FOR ASAPPHIRE
MEX OFFICE ON [redacted] 27 APRIL 2017

2) RIVER ISOLDE:

- **[redacted] Execution 26 Shipping[redacted]**
- The Prime Ministers of Tsukino and the Presidents of Tsinoury (Coast) have approved the shelling protocol.
- The Shelling Ceremony is to be organized jointly by Ole Ved* and Ole* TEK units to firstly be executed by TEK unit first* Legal unit.
  - [redacted] Ceremony Arrangements
- And Ole MILITEK working group to observing options for modernising L-39 of the Ole* Air Force and Ole* Navy Training Wing.
  - [redacted] Ceremony
- Negotiations [redacted] drafts for college class exemption [redacted] terms [redacted] between Hanover, Sun Ole* [redacted] and ICC.

- The [redacted] regulation on solid waste [redacted] transactions that [redacted] zero-wage thresholds now requires [redacted] approval.
- Exempt transactions would still have [redacted] monthly reporting [redacted] [redacted] [redacted]

From: Ronald Kwan
To: Gavin He
Subject: RE: MO Bi-weekly Agenda
Date: Monday, February 06, 2017 4:57:56 PM
Attachments: Annotated Agenda MO Feb 06 2017_Markup.docx

Hi Gavin,

A few suggestions.

Thanks,
Ron

From: Gavin He
Sent: February-03-17 11:48
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft agenda for your review. I will share a copy with Scott Nelms once you are good with it.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, January 31, 2017 10:43 AM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, Feb 6th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, February 2nd, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,

Gavin He

ANNOTATED AGENDA
SEC OPUS 53 - Draft as of [illegible], 2017

STATIC TRACTY 'A: ADDED TOP TWELVE ITEMS INCLUDED: ISSUES

A. Electricity Price Mitigation - Solid Powering Global A Quake on and Delivery Service Rates

The Ultimate +47 copy (ENERGY) [illegible] by comment to include an [illegible] electricity price mitigation options, including [illegible] within the cases through a [illegible] Commission [illegible] Energy Service Rates. The Ultimate +47 copy [illegible] private adjustment [illegible] copy the [illegible] to them contained in [illegible] Commission.

The options generally involve retaining current cost pass-through to consumers, and deferring part of the costs for longer-term recovery from consumers.

- Energy Service Rates [illegible] Commission [illegible] Energy Service Rates [illegible] Commission [illegible] Energy Service Rates [illegible] Commission [illegible]

- Following approval of the 2017 Reference Fees, DFO has submitted proposed contribution schedules for the Environmentally Engaged Fund (EEF) and Fixed Fuel Segregated Fund (FFSF)
- The EEF and the Fixed Fuel Segregated Fund (FFSF) and the Environmentally Engaged Fund (EEF) were both in a surplus position.
  - That means that there is enough funds to cover the 2017 DAOS present value of the commitments. Therefore, no contributions are required for the decommissioning of the nuclear stations as per the current DAOS commitments.
- Given the above, DFO is instead proposing no (or proposing) cash contributions and to instead use the EEF and FFSF surpluses to offset the High Seas and Gabarus and the nuclear level rather than just on its aggregated level.
- In the case of the FFSF, DFO is also proposing to rebalance the allocation of funds between the Gabarus and the High Seas to ensure that the Gabarus does not have a total 175M+ bundle per, and because both the shares aggregate value of the 2 Gbp bundles are approximately the same, to ensure that the High Seas does not have a half bundled.
- The above proposal is dependent on being considered with the push of DAOS, and will be put forward by the Ontario Energy Board and those participating in the rate setting process.
  - The OEB has also indicated that it would be helpful if the approval is provided before February 1 st in align well with the new setting process.
- CER, and NEB' s legal staff are reviewing DFO's submission and have assessed that the proposed contributions are consistent with the requirements under DFO's commitment as DAOS. More importantly, allow for rebalancing at each fund.
- To this, CER's staff has identified no fiscal risk from DFO's proposed contribution schedules.
- A briefing with the Minister is being scheduled for Feb. 8th or 9th.

Key Issues / Issues Nécessitant une Note

- DFO has requested that the Minister's office be informed by [illegible] of any decisions that may be made by the Canadian Nuclear Safety Commission (CNSC) with respect to the Darlington Refurbishment Project.
- [illegible] has recently met with the Canadian Nuclear Safety Commission (CNSC) and discussed the timing of the CNSC's decision on the Darlington Refurbishment Project. The CNSC is expected to make a decision on the project in the summer of 2016.
- [illegible] has also met with the Canadian Nuclear Association (CNA) and discussed the CNA's position on the project. The CNA is supportive of the project and has indicated that it will be making a presentation to the CNSC in support of the project.
- [illegible] has also met with the Power Workers' Union (PWU) and discussed the PWU's position on the project. The PWU is supportive of the project.

- As OEFC assesses the full range of companies through the RFEOI submissions, we will be looking closely at the overall economic benefits that each proposal will bring to Ontario, including the potential for new investment and jobs.

Next Steps – RFP Consultations and the IAGP

- Following the RFEOI submission deadline, OEFC will begin consultations with Proponents.
- Consultations will be conducted under the Integrated Agreement Process (IAGP). The IAGP is a key component of the Government's Long-Term Energy Plan (LTEP). The IAGP establishes a framework for engagement with Indigenous communities, which includes the Métis Nation of Ontario (MNO), on energy infrastructure projects. The IAGP is intended to facilitate the participation of Indigenous communities in the development of energy infrastructure projects through consultations such as OEFC.
- Through the IAGP process, Indigenous communities are able to come together to seek financing as a bundle, such as a Métis Nation of Ontario (MNO) project that currently holds a conditional offer for a loan guarantee.
- OEFC will be sharing whether its LDP could be adapted to enable projects to offer Indigenous communities "green first-nations energy" procurements early focus on nuclear projects.

Next Steps – Consumers Lake Thin Section

- Consumers Lake Thin Section Limited Partnership (Consumers Lake) have brought forward a project proposal to the OEFC. The Ministry of Energy (E-mail) and Ministry of Indigenous Relations and First Nations (MIRFN) have been engaged on the proposal.
  - Consumers Lake Thin Section, along with B will build, and owners of the 44 MW natural gas-fired generation facility located in the Township of Thessalon, located north Ontario Electricity Financial Corporation (OEFC).
- In June 2018, Consumers Lake entered into a Thermal Off-Taker Agreement (OTA) with Consumers Lake Thin Section Limited Partnership (Consumers Lake) to purchase steam from the facility and that Consumers Lake may become a minor owner, participant in its operation, and derive benefits from the continued operation of the facility.
  - Consumers Lake has been engaged on the project since its initial development phase as a Proponent and
  - Following the Proponent's selection, the project has accumulated approximately $50 million in debt-bond to OEFC.

[redacted] A GDP-G and Kapuka C-and-Ground Offer Package

- Crown Fibre[redacted] Power Corporation (CFPC), wholly owned by Tautoru Tapuwa Aotearoa (TTA), is seeking a Crown guarantee under the GDP of about $40.0 million. The guarantee will back a debt facility provided by commercial lenders to support a new build-operate-hire (BOH) Fast Fuelboat for Greenwing Trades at a lower interest rate than the alternative (a loan from its partner).
- The [redacted] Fast Fuelboat has been approved and an EVC was obtained at the December [redacted] meeting.
- [redacted] Cabinet has also approved the provision of a Crown guarantee [redacted] [redacted] [redacted]

directive prepared by MARITIUS. [illegible]

- Acquisition for €4,612,000 unless exemptions to be drafted by Rio26.04 in early 2027 comply with a Financial directive.

[illegible] 4870 injunction 4.99 Project, IL, 26 appr eco!

- GHS has received Project's government drafts from IO Legal in report section 28 Environmental.
- MATS has advised that noncredit seems a formal request along with other supporting documents seeking the Minister's approval by March 2nd.
- Construction work is now scheduled for March. The entire thermal stove is scheduled for March 2027.

[illegible] Risk-drive Fuel Hedging

- Maintain a passenger, hedging to fuel costs by entering into financial derivatives contracts with Canadian-run largest banks. In order to do so, Manitime must obtain approval from its Board of Directors. The contracts commonly be new and or new borrowing by law we shall are a. of approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

[illegible] Power to Cite and Charge Evaluate, Employment Act per.ation [GUIDE.]

- Bill C-59, An Act to amend the Criminal Code, the National Defence Act and other Acts, received Royal Assent on June 21, 2019. Part 3 of the Act, entitled the Intelligence Commissioner Act, creates a role for the Intelligence Commissioner (IC) in the authorization process for certain activities of the Communications Security Establishment (CSE). The IC is responsible for reviewing the conclusions of the Minister of National Defence (Minister) with respect to whether certain authorizations issued by the Minister are reasonable. If the IC is satisfied that the conclusions are reasonable, he or she must approve the authorizations. The IC's decision is subject to judicial review.
- Bill C-59 also amends the CSE mandate to include three new aspects: active cyber operations, defensive cyber operations and assistance to federal partners. Active cyber operations are activities undertaken to degrade, disrupt, influence, respond to or interfere with the capabilities, intentions or activities of foreign individuals, states, organizations or terrorist groups as they relate to international affairs, defence or security. Defensive cyber operations are activities undertaken to help protect federal institutions' electronic information and information infrastructures. Assistance to federal partners is the provision of technical and operational assistance to federal law enforcement and security agencies, the Canadian Forces and the Department of National Defence.
- Bill C-59 also clarifies the CSE's mandate with respect to information collected in the course of its activities. The Act provides that CSE may use publicly available information regardless of whether it contains personal information of Canadians. The Act also provides that CSE may retain information that is not publicly available, including information that contains personal information of Canadians, for a period of time. Finally, the Act provides that CSE may share information, including information that contains personal information of Canadians, with persons or entities outside of the Government of Canada in certain circumstances.
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From: Gavin He
To: Ronald Kwan
Subject: RE: MO Bi-weekly Agenda
Date: Friday, February 03, 2017 11:48:23 AM
Attachments: Annotated Agenda MO Feb 06 2017.docx

Hi Ron,

Please find attached the draft agenda for your review. I will share a copy with Scott Nelms once you are good with it.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, January 31, 2017 10:43 AM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly Agenda

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Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MO UPDATE: February 06, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Electricity Price Mitigation: Debt-Financing Global Adjustment and Delivery Charge

The Ministry of Energy (ENERGY) has provided a presentation on an electricity price mitigation options, including an option to defer the pass-through to ratepayers of some generation supply costs by partially financing the cost of the global adjustment (GA) and incurring debt to pay the generators their contracted or regulated payments.

The options generally involve reducing current cost pass-through to consumers and deferring part of the costs for longer-term future recovery from consumers.

- Based on Energy's illustrative charts, relief would last to about 2022 / 2024, and the higher cost caused by the deferral would hit electricity bills of future ratepayers until 2042 or 2047.
- There have been discussions between CEFD, OPCD, IESO, KPMG, and Energy staff and material challenges / fiscal and reporting risks associated with this proposal have been raised.
- OPCD staff are in discussions with by Energy, along with KPMG and the IESO, on accounting considerations:
- CEFD staff have done the impact analysis on the proposed scenarios, including the impact on LDCs.
    - Based on the direction provided by OPCD, CEFD conducted an impact analysis on 71 LDCs, using the data from OEB yearbook.
    - The average debt-to-equity ratio will increase over 3.0 by 2028, from 1.36 in 2017.
    - There are also discussions involving deeper deferral of the GA into the future period. Preliminary analysis by CEFD staff indicate that the using the same parameters as the moderate scenarios, the eventual pay down of the debt-financed GA amounts is not certain.
- Energy also provided analysis on the delivery rate relief proposal, following on the comment made by the Premier.
    - The proposal suggests a temporary initiative that would allow a cap per month on residential customers' delivery charges.

2. ONFA – 2017 Reference Plan Contribution Schedules

- Following approval of the 2017 Reference Plan, OPG has submitted proposed contribution schedules for the Decommissioning Segregated Fund (DSF) and Used Fuel Segregated Fund (UFSF).

- As of Dec. 31, 2016 the Used Fuel Segregated Fund (UFSF) and the Decommissioning Segregated Fund (DSF) were both in a surplus position.
    - That means that there is enough funds to cover the 2017 ONFA present value estimate of the future liability associated to manage nuclear waste and decommissioning of the nuclear stations as per the current ONFA assumptions.
- Given the above, OPG's submission includes no incremental cash contributions and to rebalance the allocation of the funds inside each fund to align funds and liabilities at the stations level rather than just at the aggregated level.
- In the case of the UFSF, OPG is also proposing to rebalance the allocation of funds with respect to the used fuel bundles so that any shortfall in stations related to the initial 2.23M bundles are addressed while the excess aggregate value in the 2.23M bundles over and above the liability estimate are now allocated to the incremental fuel bundles.
- OPG's position is that the rebalancing is consistent with the spirit of ONFA and will be well received by the Ontario Energy Board and those participating in the rate setting process.
    - OPG has also indicated that it would be helpful if the approval is provided before February 14th to align well with the rate setting process.

- OFA and MOF Legal staff are reviewing OPG's submission and have assessed that technical waivers will be required for the Province to approve OPG's submission as ONFA does not explicitly allow for rebalancing at each fund.
- So far, OFA staff has identified no fiscal risk from OPG's proposed contribution schedules.
- A briefing with the Minister is being scheduled for Feb. 8th or 9th.

3. Outlook Forecast/OPG Business Plan

- CEFD received the draft OPG 2017-19 Business Plan from the Ministry of Energy and is drafting a list of proposed questions to OPG.

4. LTEP Consultations and the ALGP

- As part of the LTEP consultation and engagement process, Energy held information sessions across the province, including sessions in Indigenous communities.
- Energy staff have noted that there were comments at these sessions on the Aboriginal Loan Guarantee Program (ALGP) and new and emerging financing gaps in relation to Indigenous communities investing in energy projects.
- CEFD staff met with Energy staff and Energy requested information about whether ALGP could be adapted to the needs of small projects, which, based on feedback from LTEP consultations, are reportedly more likely to be financing constrained and more likely to seek financing assistance through programs such as ALGP.

- CEFD staff noted that many smaller projects are able to come together to seek financing as a bundle, such as a Metis Nation of Ontario (MNO) project that currently holds a conditional offer for a loan guarantee.

- Staff are reviewing whether ALGP could be adapted to smaller projects in other ways, particularly given that upcoming energy procurements may focus on smaller projects.

5. Constance Lake First Nation

- Constance Lake First Nation (Constance Lake) have brought forward a grievance to the Ministry of Energy (Energy) and Ministry of Indigenous Relations and Reconciliation (MIRR), claiming that the First Nation was not properly consulted by the original developer of the Nagagami hydro project, which is located in the traditional territory of Constance Lake, and only agreed to participate under duress.
    - Constance Lake First Nation, along with Brookfield, are owners of the Nagagami hydro project. Nagagami has a non-utility generator (NUG) contract with Ontario Electricity Financial Corporation (OEFC).
    - Nagagami is a 15 MW hydro facility that has been in-service since 1996.

- In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which includes as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.
    - The Nagagami project has performed poorly and has not provided significant returns to Constance Lake.
    - Due to the facility's poor performance, the project has accumulated approximately $50 million in debt owed to OEFC.

- Energy staff have inquired about options that could be available under the NUG contract that could provide benefits to Constance Lake, if it was determined that the First Nation's grievance needed to be settled.
    - Staff for OEFC have noted to Energy staff that OEFC would not make general adjustments to the PPA related to settling a grievance without direction from the Minister of Finance.
    - Staff for OEFC have also noted that OEFC does have a process by which NUGs that are not financially viable under their existing contract may make a submission requesting changes to the PPA.

- Staff at Energy have noted that it may seek Minister of Energy support for PPA rate revisions or interest rate relief if a grievance settlement were required.

6. ALGP: Coral Rapids Conditional Offer Package

- Coral Rapids Power Corporation ("CRP"), wholly-owned by Taykwa Tagamou Nation ("TTN"), is seeking a loan guarantee under the ALGP of about $18.2 million. This loan would allow CRP to finance its investment in a partnership which was formed to

own and operate the 28 MW Peter Sutherland Sr. Generating Station at a lower interest rate than the alternative (a loan from its partner).

- The conditional offer letter was approved and an OIC was obtained at the December 13, 2016 LRC meeting.
    - As this application involves the interests of a Schedule 1 bank (the proposed lender is TD), screening measures applied and staff sought approval to proceed to LRC and for the conditional offer letter from the President of the Treasury Board.
- Due diligence and negotiation of legal/loan documents are ongoing. The current target closing date is month-end of February. If documents are finalized within the next few weeks, we would be asking to be able to brief the President of the Treasury Board in the late February in order to meet the targeted closing date and execute the final loan guarantee agreement.

ANNOTATED AGENDA
MO UPDATE: January 23, 2017

OTHER ISSUES

7. FAA Section 28 Sharing Protocol

- Both the Minister of Finance and the President of Treasury Board have approved the sharing protocol.
- OFA has drafted a memo to be signed jointly by DM MoF and DM TBS which is being reviewed by TBS and MoF Legal staff.
- An OFA/MOF/TBS working group is reviewing options for modernizing s.28 of the FAA, for possible inclusion in a 2017 Spring bill.
- Regulation has been drafted for college class exemption and is being reviewed by MAESD. The regulation would exempt transactions above certain percentage thresholds from requiring s. 28 approval. Exempt transactions would still be subject to ministry oversight (to be spelled out in a binding policy directive prepared by MAESD). MAESD/OFA/TBS ADM level meeting set for February 3rd.
- Regulation for OLG/LCBO class exemption to be drafted by RAOD in early 2017 along with a financial directive.

8. Highway 427 Expansion AFP Project – S. 28 approval

- OFA has received Project Agreement drafts from IO Legal to start section 28 approval process
- MTO has advised that it would submit a formal request along with other supporting documents seeking the Minister's approval by March 3rd.
- Commercial close is now scheduled for March 7th while financial close is scheduled for March 10th.

9. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

10. Ontario Climate Change Solutions Deployment Corporation (OCCSDC)

- MOECC's draft report back to TB (February 14th) on the governance structure of the OCCSDC includes a reference to OFA providing investment management services for the investment of surplus funds held by the new agency but not to coordinating/arranging borrowing and managing of financial risks for the agency (a requirement under s.12(3) of the Development Corporations Act). This will be raised with MOECC staff.

From:	Ronald Kwan
To:	Deena Padamadan
Cc:	Angie Georgakakos
Subject:	RE: MO Bi-weekly Agenda
Date:	Tuesday, August 15, 2017 12:54:57 PM
Attachments:	Annotated Agenda MO Aug 15 2017_CEFD_v3.docx Annotated Agenda MO Aug 15 2017_CEFD_Markup5.docx

Hi Deena,

How about this?

Ron

From: Deena Padamadan
Sent: August-15-17 10:49
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the updated markup with EFB's addition for your review. CFB and SPFB have signed off on your edits.

Thanks.
Deena

From: Ronald Kwan
Sent: Monday, August 14, 2017 2:22 PM
To: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Deena,

A few suggestions, as attached.

Ron

From: Gavin He
Sent: August-10-17 18:14
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>; Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Please find attached the proposed agenda for your review.

Regards,
Gavin He

ANNOTATED AGENDA
MO UPDATE: August 15, 2017

1. Trillium Trust Communication for Public Accounts

- OFA, MOF, and TBS staff have been working with MOF and TBS communications staff regarding communications on the Trillium Trust, as part of the release of Public Accounts.
    - The request originated from TBS communications, seeking a list of projects receiving Trillium Trust funding and their locations to include in an online map of publicly supported infrastructure projects across the province. The intent was to identify programs receiving Trillium Trust funding with language indicating these projects were supported by the Trillium Trust
    - TBS communications have also been inquiring on the possibility to include a number of other data, including a list of projects indirectly funded from the Trillium Trust (e.g., projects under the Ontario Community Infrastructure Fund) and dollar amounts received by each projects from the Trust in 2016-17.
        - OFA and TBS staff have flagged challenges and risks with this potential approach, given potential lack of visibility on municipal projects, amounts of the Trillium Trust drawdown in 2016-17 vs. balance of the Trust, etc.

- OFA, MOF, and TBS staff will continue to work with communications staff on a communications strategy.

2. Ontario Fair Hydro Plan Implementation Status

- CEFD staff continue to work with GBED staff and other OFA staff in putting in place the structure facilitating the equity injection.
    - Energy has proposed that the OFA work on the basis of 'negative confirmation' in facilitating share subscription and funds settlement on a potentially monthly basis, going as far as to be willing to delegate to the OFA to provide the certificate as required under section 11.4 of the *Financial Administration Act*.
    - The OFA is firm in its response that Energy would have to provide such a certificate.
    - As currently envisioned within the OFA, the Master Subscription Agreement (MSA) would be signed between the Ministry of Energy (Energy) and OPG, and a separate service level agreement (SLA) or Memorandum of Understanding (MOU) would be signed between Energy and the OFA.
- CEFD/OFA staff and MOF Legal staff are working to execute a credit facility on behalf of the Independent Electricity System Operator (IESO).
    - A question has arisen regarding the nature of security the IESO provides for the unsecured borrowing [from the OFA].
    - OFA's Lending Policy, as approved by the Minister, requires that an intercept clause or provision be included in the credit agreement between the OFA and a Public Body borrower.

        - The 'intercept' clause essentially means that, in the event of a default, a borrower that receives funding from the Province would have such amounts intercepted to satisfy the debt payments to the OFA.

    - In the event that such a clause or provision is required, CEFD staff would return to the Minister to request an exception from the OFA Lending Policy.

- OFA received the latest OPG proposed re-draft of a Provincial support agreement term sheet, which would provide a Provincial step-in protection for the Financing Entity's debt, generally, under the following scenarios:
    - Changes to legislation or other actions by the Province as no government can limit the ability of future governments to amend or enact legislation or take other actions as it may deem appropriate.
    - Court decision that the Fair Hydro Plan does not have the authority to levy the charge to consumers or declares any funding obligations to be invalid or unenforceable.
    - Changes to the organization, structure or operations of the IESO or the electricity market.

There also continue to be discussions on other aspects, such as what had been referred to as servicing or performance guarantees, and on the "warehousing" financing.

3. Constance Lake First Nation (CLFN) Meeting Request

- On July 26, 2017, Chief Rick Allen of CLFN again wrote to the Minister of Finance requesting a meeting with the Minister or the Deputy Minister to discuss the parameters of the proposed discussion with OEFC.
    - The Chief's letter was in response to the Minister of Finance July 7th response to CLFN, copying the Minister of Energy, noting that staff for OEFC would be in contact with CLFN's advisor.
- Staff propose that the Minister or Deputy accept a future meeting with the Chief of CLFN to outline, at a high level, the basis upon which OEFC can engage in discussions.
    - Staff would also seek to brief the Deputy and Minister in advance to determine preferred options for future discussions between OEFC and CLFN and Brookfield.
    - Staff also would seek to meet with the CLFN advisor and Brookfield in advance to seek further information and discuss CLFN's request.
- Staff are drafting a response letter to the July 26, 2017 letter and will be consulting with MIRR and ENERGY on the language in the letter.

4. Aboriginal Loan Guarantee Program

- The First Nation proponents in a transmission project that is intended to connect 17 remote communities in northwestern Ontario have submitted an application to the Aboriginal Loan Guarantee Program (ALGP) to support its planned equity investment in the project.
    - The applicant's current loan guarantee request is $300 million.
    - This amount may be affected by the outcome of Provincial discussions with the federal government on federal support for the project, recognising the benefit to the federal government from grid connection vs the costs to the federal government of providing the First Nations communities with electricity service with diesel-fired generation.
    - A First Nations corporation would be a partner, along with FortisOntario, in Wataynikaneyap Power L.P., which was selected by the Province in July 2016 to connect the remote communities.
- A Treasury Board submission is being prepared, targeted for September, to enable the ALGP to provide the requested amount.
    - The submission would seek an exemption from the following ALGP parameters regarding the Wataynikaneyap Transmission Project: (i) the $50 million per project limit to accommodate the larger scale of this particular project/applicant, and (ii) the limit that the guaranteed loan not represent more than 75 per cent of the Aboriginal equity in a project.
    - Based on the initial $300 million request, an increase to the program envelope by $200 million would also be requested to accommodate current and anticipated applications, including the Wataynikaneyap Transmission Project.
    - The estimated required amounts could be significantly affected by the outcome of the discussions with the federal government.
- Postponing the Treasury Board submission until there is certainty regarding the level of federal government support may cause a delay for the applicant in securing other components of its financing, including its required non-ALGP-supported equity funding.
- If the submission request moves forward before the federal contribution amount and structure are determined, the requested TB Minute could set the context that the requested amounts approved may be limited if the federal government were to provide significant support to the project.
    - The TB approvals for the exemptions to the $50 million maximum and potential 75% limit would not allow the loan guarantee to go forward, as the actual loan guarantee would still be subject to due diligence on the final ALGP application, OIC approval for a loan guarantee, and the Minister of Finance's approval.

OTHER ISSUES

5. ONTC Line of Credit

- The Ministry of Northern Development and Mines (MNDM) is requesting Treasury Board/Management Board of Cabinet (TB/MBC) recommendation to Cabinet for approval of an Order-in-Council (OIC) approving the Ontario Northland Transportation Commission (ONTC) borrowing authority to secure a line of credit (LOC) with the Ontario Financing Authority, of up to $5.0 million for cash flow management related to operations and capital spending.
    - Since 2012, ONTC periodically utilized its Self-Insurance Reserve (Reserve) as their primary cash management tool. In 2016-17 however, the Reserve was depleted as a result of a number of large derailments.
    - Currently, the only cash management tool available to ONTC is the advancement of operating funds by MNDM whenever cash is needed.
    - As the ONTC continues to implement its Transformation Plan, it requires the appropriate tools to improve its fiscal responsibility and accountability as a public agency.
    - MNDM believes that a $5M LOC would allow the agency to manage its cash flow more efficiently.

- OFA staff have been working with MNDM staff to provide comments and advice on business case requirements, potential terms, etc. that would be required in order to enter into discussions for a LOC.
- MNDM's is targeting the September 26, 2017 TB/MBC for its submission.
- Should the OIC be approved by TB/MBC, MNDM would need to seek s. 28 approval and would need to work with OFA staff on appropriate terms for a LOC.
- MNDM staff have indicated that ONTC would like to have the agreement in place by the end of 2017.

6. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting a s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
    - Ministerial approval of the joint MOF/TBS regulation will likely be sought in early September.

AGENDA ITEM 4 APPEAL
DEC 6 2016 DE August 31, 2017

1. Trillium Trust Communications for Public Accounts

- GIB, MOT, and TBS staff have been working with MOT and TBS communications staff regarding communications on the Trillium Trust, as part of this release of Public Accounts.
  - The release comprised two TBS communications, covering units of projects receiving Trillium Trust funding and direct transfers to include in-year dollar flow of funds to the Trillium Trust and Green Municipal Fund. The GIB and MOT communications were supported by the TBS and Treasury Board with language indicating these were more appropriately the TBS and Trust's.
  - TBS communications have also been inquiring on the possibility to include a communication on the Trillium Trust's Green Municipal Fund (GMF) and the Trillium Trust (e.g., projects under the Green Community Infrastructure Fund) and other amounts received by each projects from the Trust in 2016-17.
    - GIB, MOT, and TBS staff met with Trust staff to discuss the Trust's GMF program. Some potential GMF projects for municipal projects, universities, and colleges are in the pipeline and could be announced in the near future.
- GIB, MOT, and TBS staff will continue to work with communications staff on a communications strategy.

2. Green to Gas Virgil will be plan amendment Enbrel

- [redacted]
- [redacted]
- [redacted]

- On July 26, 2017, Chief Rick Allen of CLTA, again wrote to the Minister of Finance requesting a meeting with the Minister or the Deputy Minister to discuss the Government's plans for the Canada Pension Plan.
  - The Chief's letter was in response to the Minister of Finance July 7th response to CLTA, in saying the Minister of Energy, noting that staff for CBTC would be in contact with CLTA staff.
- Staff advise that the Minister's Deputy remain at base meeting with the Chief of CLTA to outline, at a high-level, the basis upon which CBTC can engage in discussions.

- Staff would also seek to limit the Crown's and Infrastructure Ontario's discretion to determine whether claims for losses documented by Hydro One and the OPA are reasonable.
- Staff also would seek to meet with the CCRL advisor and Enwild both in advance to seek further information and discuss CCRL's reports.

4. Staff are drafting a response letter to the July 26, 2007 letter and will be consulting with the Ministry of Energy on the response letter.

Next Steps/Feed Feed Guarantee Program

5. The Chinook proponents in a transmission project that is intended to connect 17 Ontario non-emitting or combustion (Coral) have submitted an application to the Feed Feed Guarantee Program. The project is estimated to require $1.5 billion investment in this project.
- The applicant's requested loan guarantee request is $500 million.
- Staff have been consulted by the Ministry of Finance on discussions with the federal government on federal support for the project, as regarding the benefit to Ontario ratepayers. Ontario's interest in the project is to support the federal government of providing that First Nations communities with electricity service with diesel fired generation.
- The Chinook proponent consortium would be a partner, along with FortisOntario, in Kakabeka Hydroelectric Power LP, which was selected by the Province in July 2010 to increase the energy communities.

6. In order to meet the Chinook proponents' targeted for September, to enable the LGIP to provide the requested amount.
- The submission would seek an exemption from the 60/year/kg LGIP parameters to enable the LGIP to provide the requested amount. The LGIP would be in project term to accommodate the longer scale of the particular project and would also seek an exemption from the requirement to provide no more than 50% of the Eckington equity in a project.
- The LGIP would be fully subscribed, yet, increase to the program envelope by $200 million would also be requested to accommodate current and anticipated applications, including the Kakabeka/pipe Thessalonand Project.
- The submission would be subject to Treasury Board approval, otherwise by the outcome of the discussions with the federal government.

7. Proposing the Treasury Board submission until there is certainty regarding the level of federal support for the project, as well as the ability to secure funding from other components of the financing, including the required non-recourse project financing.

8. If the submission request moves forward before the federal contribution amount and structure are determined, this would be to allow Staff to seek the maximum amount of funding that could be available from the federal government once it provide significant support to the project.

- The TE approvals for the exemptions to the $53 million maximum and potential risk-sharing levels of other short-term projects in Tai Kwo are, on the whole, consistent with the principles set out in the Development Bureau's Technical Circular (DC) approval for a loan guarantee, and the Minister of Finance's approval.

CYBER-SECURE

MHCLG Level of Audit

- The Secretary of Northern Development and Ministry (MHCHD) is requesting Treasury Board/Management Board of Cabinet (TB/MBC) be communicated to Cabinet for approval of an Order-in-Council (OIC) approving the Governor-in-whatever-capacity-acting to make a grant to the Crown Corporation, Canada Infrastructure Bank (CIB) for the purpose of establishing a Green Financing Authority, of up to $5.5 billion for cash-flow requirements and $1.5 billion for loan loss provisioning.
  - Green (GIC) CIB OIC (controlled) utilized by the Governor-in-Finance (Finance) on behalf of the Governor-in-whatever-capacity-acting (GIC), the Public-in-trust, depleted as a result of a number of days' disadvantage.
  - (Currently, the only Lucid management tool, available to CNTC, is the advancement of funds to CIB, by the Public-in-trust, depleted.)
  - As the CIB OIC continues to implement its Transformational Pass, it requires the appropriate tools to improve its fiscal responsibility and accountability as a public body.
  - MHCHD believes that a MSA-LLC would allow the agency to manage its cash flow more efficiently.
- CIB, staff have been working with MBCHD staff to provide comments and policies on CIB, staff have been working with MBCHD staff to provide comments and policies on CIB's proposed governance, [redacted] terms, etc. that would be required in order to enter into discussions for a LOC.

Next steps/Lessons Program- for Eve gy Retrofit Projects at Colleges and Universities

- MHCHD MHCHD received Treasury Board approval on July 25th of a $500M loan program through the CIB, to finance energy retrofit projects at colleges and universities.
  - MHCHD has been asked to provide a comfort letter signed by the Minister stating MHCHD's commitment in backstopping this loan program. The comfort letter may MHCHD's commitment in backstopping this loan program. The comfort letter may also include a commitment to provide a grant to cover the CIB's borrowing costs, and responsibilities for these loans, which have been shared with MHCHD staff.
- MHCHD will be requesting a $5 million exemption specific to this program, as some of the projects will exceed the materiality threshold amounts set out in the current Delegated Authorities Framework.
  - MoF/TBS legal are currently preparing drafting instructions for may Counter ~~Ministerial~~ approval of the joint MoF/TBS regulation will likely be sought in early September.

From:	Deena Padamadan
To:	Ronald Kwan
Cc:	Angie Georgakakos
Subject:	RE: MO Bi-weekly Agenda
Date:	Tuesday, August 15, 2017 10:49:27 AM
Attachments:	Annotated Agenda MO Aug 15 2017_CEFD_Markup4.docx

Hi Ron,

Please find attached the updated markup with EFB's addition for your review. CFB and SPFB have signed off on your edits.

Thanks.
Deena

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Sent: Monday, August 14, 2017 2:22 PM
To: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

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Subject: MO Bi-weekly Agenda

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Regards,
Gavin He

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MO UPDATE: August 15, 2017

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        - OFA and TBS staff have flagged challenges and risks with this potential approach, given potential lack of visibility on municipal projects, amounts of the Trillium Trust drawdown in 2016-17 vs. balance of the Trust, etc.

- OFA, MOF, and TBS staff will continue to work with communications staff on a communications strategy.

2. Ontario Fair Hydro Plan Implementation Status

- As well understood by now, the Fair Hydro Plan (FHP) will defer the amounts charged to electricity consumers, resulting in a reduced amount of GA costs passed on to consumers in the initial period of the FHP.
    - Financing Entity/OPG Trust will acquire assets related to the deferral of electricity charges from the Independent Electricity System Operator (IESO).
    - Up to 44% of such assets will be funded through equity injections in OPG from the Province / the Ministry of Energy.
    - The Province is working with OPG/Energy to provide a Provincial support agreement.
- CEFD staff continue to work with GBED staff and other OFA staff in putting in place the structure facilitating the equity injection.
    - Energy has proposed that the OFA work on the basis of 'negative confirmation' in facilitating share subscription and funds settlement on a potentially monthly basis, going as far as to be willing to delegate to the OFA to provide the certificate as required under section 11.4 of the *Financial Administration Act*.
    - The OFA is firm in its response that Energy would have to provide such a certificate.
    - As currently envisioned within the OFA, the Master Subscription Agreement (MSA) would be signed between the Ministry of Energy (Energy) and OPG, and a

separate service level agreement (SLA) or Memorandum of Understanding (MOU) would be signed between Energy and the OFA.

- CEFD/OFA staff and MOF Legal staff are working to execute a credit facility on behalf of the Independent Electricity System Operator (IESO).
  - A question has arose regarding the nature of security the IESO provides for the unsecured borrowing [from the OFA].
  - OFA's Lending Policy requires that an intercept clause or provision be included in the credit agreement between the OFA and a Public Body borrower.
    - The 'intercept' clause essentially means that, in the event of a default, the borrower that receives funding from the Province would be assessed to satisfy the debt to the OFA.
    - CEFD staff are exploring whether such a clause or provision is required for the FHP-related credit arrangements.
  - In the event that such a clause or provision is required, CEFD staff would return to the Minister to request an exception.
- OFA received the latest draft Provincial support agreement from OPG which provides protections, generally, under the following scenarios:
  - Changes to legislation or other actions by the Province as no government can limit the ability of future governments to amend or enact legislation or take other actions as it may deem appropriate.
  - Court decision that the Fair Hydro Plan does not have the authority to levy the charge to consumers or declares any funding obligations to be invalid or unenforceable.
  - Changes to the organization, structure or operations of the IESO or the electricity market.

~~4.~~3. Constance Lake First Nation (CLFN) Meeting Request

- On July 26, 2017, Chief Rick Allen of CLFN again wrote to the Minister of Finance requesting a meeting with the Minister or the Deputy Minister to discuss the parameters of the proposed discussion with OEFC.
  - The Chief's letter was in response to the Minister of Finance July 7th response to CLFN, copying the Minister of Energy, noting that staff for OEFC would be in contact with CLFN's advisor.
- Staff propose that the Minister or Deputy accept a future meeting with the Chief of CLFN to outline, at a high level, the basis upon which OEFC can engage in discussions.

- Staff would also seek to brief the Deputy and Minister in advance to determine preferred options for future discussions between OEFC and CLFN and Brookfield.
- Staff also would seek to meet with the CLFN advisor and Brookfield in advance to seek further information and discuss CLFN's request.

- Staff are drafting a response letter to the July 26, 2017 letter and will be consulting with MIRR and ENERGY on the language in the letter.

~~5.~~4. Aboriginal Loan Guarantee Program

- The First Nation proponents in a transmission project that is intended to connect 17 remote communities in northwestern Ontario have submitted an application to the Aboriginal Loan Guarantee Program (ALGP) to support its planned equity investment in the project.
  - The applicant's current loan guarantee request is $300 million.
  - This amount may be affected by the outcome of Provincial discussions with the federal government on federal support for the project, recognising the benefit to the federal government from grid connection vs the costs to the federal government of providing the First Nations communities with electricity service with diesel-fired generation.
  - A First Nations corporation would be a partner, along with FortisOntario, in Wataynikaneyap Power L.P., which was selected by the Province in July 2016 to connect the remote communities.
- A Treasury Board submission is being prepared, targeted for September, to enable the ALGP to provide the requested amount.
  - The submission would seek an exemption from the following ALGP parameters regarding the Wataynikaneyap Transmission Project: (i) the $50 million per project limit to accommodate the larger scale of this particular project/applicant, and (ii) the limit that the guaranteed loan not represent more than 75 per cent of the Aboriginal equity in a project.
  - Based on the initial $300 million request, an increase to the program envelope by $200 million would also be requested to accommodate current and anticipated applications, including the Wataynikaneyap Transmission Project.
  - The estimated required amounts could be significantly affected by the outcome of the discussions with the federal government.
- Postponing the Treasury Board submission until there is certainty regarding the level of federal government support may cause a delay for the applicant in securing other components of its financing, including its required non-ALGP-supported equity funding.
- If the submission request moves forward before the federal contribution amount and structure are determined, the requested TB Minute could set the context that the requested amounts approved may be limited if the federal government were to provide significant support to the project.

- The TB approvals for the exemptions to the $50 million maximum and potential 75% limit would not allow the loan guarantee to go forward, as the actual loan guarantee would still be subject to due diligence on the final ALGP application, OIC approval for a loan guarantee, and the Minister of Finance's approval.

OTHER ISSUES

~~6.~~5. ONTC Line of Credit

- The Ministry of Northern Development and Mines (MNDM) is requesting Treasury Board/Management Board of Cabinet (TB/MBC) recommendation to Cabinet for approval of an Order-in-Council (OIC) approving the Ontario Northland Transportation Commission (ONTC) borrowing authority to secure a line of credit (LOC) with the Ontario Financing Authority, of up to $5.0 million for cash flow management related to operations and capital spending.
  - Since 2012, ONTC periodically utilized its Self-Insurance Reserve (Reserve) as their primary cash management tool. In 2016-17 however, the Reserve was depleted as a result of a number of large derailments.
  - Currently, the only cash management tool available to ONTC is the advancement of operating funds by MNDM whenever cash is needed.
  - As the ONTC continues to implement its Transformation Plan, it requires the appropriate tools to improve its fiscal responsibility and accountability as a public agency.
  - MNDM believes that a $5M LOC would allow the agency to manage its cash flow more efficiently.

- OFA staff have been working with MNDM staff to provide comments and advice on business case requirements, potential terms, etc. that would be required in order to enter into discussions for a LOC.

- MNDM's is targeting the September 26, 2017 TB/MBC for its submission.

- Should the OIC be approved by TB/MBC, MNDM would need to seek s. 28 approval and would need to work with OFA staff on appropriate terms for a LOC.

- MNDM staff have indicated that ONTC would like to have the agreement in place by the end of 2017.

~~7.~~6. MAESD Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.

- MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff

- MAESD will be requesting a s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
  - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
  - Ministerial approval of the joint MOF/TBS regulation will likely be sought in early September.

From:	Ronald Kwan
To:	Deena Padamadan
Cc:	Angie Georgakakos
Subject:	RE: MO Bi-weekly Agenda
Date:	Monday, August 14, 2017 2:22:28 PM
Attachments:	Annotated Agenda MO Aug 15 2017_CEFD_v2.docx Annotated Agenda MO Aug 15 2017_CEFD_Markup.docx

Hi Deena,

A few suggestions, as attached.

Ron

From: Gavin He
Sent: August-10-17 18:14
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>; Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Please find attached the proposed agenda for your review.

Regards,
Gavin He

ANNOTATED AGENDA
MO UPDATE: August 15, 2017

1. Trillium Trust Communication for Public Accounts

- OFA, MOF, and TBS staff have been working with MOF and TBS communications staff regarding communications on the Trillium Trust, as part of the release of Public Accounts.
    - The request originated from TBS communications, seeking a list of projects receiving Trillium Trust funding and their locations to include in an online map of publicly supported infrastructure projects across the province. The intent was to identify programs receiving Trillium Trust funding with language indicating these projects were supported by the Trillium Trust
    - TBS communications have also been inquiring on the possibility to include a number of other data, including a list of projects indirectly funded from the Trillium Trust (e.g., projects under the Ontario Community Infrastructure Fund) and dollar amounts received by each projects from the Trust in 2016-17.
        - OFA and TBS staff have flagged challenges and risks with this potential approach, given potential lack of visibility on municipal projects, amounts of the Trillium Trust drawdown in 2016-17 vs. balance of the Trust, etc.
- OFA, MOF, and TBS staff will continue to work with communications staff on a communications strategy.

2. Ontario Fair Hydro Plan Implementation Status

3. Constance Lake First Nation (CLFN) Meeting Request

- On July 26, 2017, Chief Rick Allen of CLFN again wrote to the Minister of Finance requesting a meeting with the Minister or the Deputy Minister to discuss the parameters of the proposed discussion with OEFC.
    - The Chief's letter was in response to the Minister of Finance July 7th response to CLFN, copying the Minister of Energy, noting that staff for OEFC would be in contact with CLFN's advisor.
- Staff propose that the Minister or Deputy accept a future meeting with the Chief of CLFN to outline, at a high level, the basis upon which OEFC can engage in discussions.
    - Staff would also seek to brief the Deputy and Minister in advance to determine preferred options for future discussions between OEFC and CLFN and Brookfield.
    - Staff also would seek to meet with the CLFN advisor and Brookfield in advance to seek further information and discuss CLFN's request.
- Staff are drafting a response letter to the July 26, 2017 letter and will be consulting with MIRR and ENERGY on the language in the letter.

4. Aboriginal Loan Guarantee Program

- The First Nation proponents in a transmission project that is intended to connect 17 remote communities in northwestern Ontario have submitted an application to the Aboriginal Loan Guarantee Program (ALGP) to support its planned equity investment in the project.
    - The applicant's current loan guarantee request is $300 million.
    - This amount may be affected by the outcome of Provincial discussions with the federal government on federal support for the project, recognising the benefit to the federal government from grid connection vs the costs to the federal government of providing the First Nations communities with electricity service with diesel-fired generation.
    - A First Nations corporation would be a partner, along with FortisOntario, in Wataynikaneyap Power L.P., which was selected by the Province in July 2016 to connect the remote communities.
- A Treasury Board submission is being prepared, targeted for September, to enable the ALGP to provide the requested amount.
    - The submission would seek an exemption from the following ALGP parameters regarding the Wataynikaneyap Transmission Project: (i) the $50 million per project limit to accommodate the larger scale of this particular project/applicant, and (ii) the limit that the guaranteed loan not represent more than 75 per cent of the Aboriginal equity in a project.
    - Based on the initial $300 million request, an increase to the program envelope by $200 million would also be requested to accommodate current and anticipated applications, including the Wataynikaneyap Transmission Project.
    - The estimated required amounts could be significantly affected by the outcome of the discussions with the federal government.
- Postponing the Treasury Board submission until there is certainty regarding the level of federal government support may cause a delay for the applicant in securing other components of its financing, including its required non-ALGP-supported equity funding.
- If the submission request moves forward before the federal contribution amount and structure are determined, the requested TB Minute could set the context that the requested amounts approved may be limited if the federal government were to provide significant support to the project.
    - The TB approvals for the exemptions to the $50 million maximum and potential 75% limit would not allow the loan guarantee to go forward, as the actual loan guarantee would still be subject to due diligence on the final ALGP application, OIC approval for a loan guarantee, and the Minister of Finance's approval.

OTHER ISSUES

5. ONTC Line of Credit

- The Ministry of Northern Development and Mines (MNDM) is requesting Treasury Board/Management Board of Cabinet (TB/MBC) recommendation to Cabinet for approval of an Order-in-Council (OIC) approving the Ontario Northland Transportation Commission (ONTC) borrowing authority to secure a line of credit (LOC) with the Ontario Financing Authority, of up to $5.0 million for cash flow management related to operations and capital spending.
    - Since 2012, ONTC periodically utilized its Self-Insurance Reserve (Reserve) as their primary cash management tool. In 2016-17 however, the Reserve was depleted as a result of a number of large derailments.
    - Currently, the only cash management tool available to ONTC is the advancement of operating funds by MNDM whenever cash is needed.
    - As the ONTC continues to implement its Transformation Plan, it requires the appropriate tools to improve its fiscal responsibility and accountability as a public agency.
    - MNDM believes that a $5M LOC would allow the agency to manage its cash flow more efficiently.

- OFA staff have been working with MNDM staff to provide comments and advice on business case requirements, potential terms, etc. that would be required in order to enter into discussions for a LOC.

- MNDM's is targeting the September 26, 2017 TB/MBC for its submission.

- Should the OIC be approved by TB/MBC, MNDM would need to seek s. 28 approval and would need to work with OFA staff on appropriate terms for a LOC.

- MNDM staff have indicated that ONTC would like to have the agreement in place by the end of 2017.

6. MAESD Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff

- MAESD will be requesting a s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
    - Ministerial approval of the joint MOF/TBS regulation will likely be sought in early September.

AGENDA ITEM # 4(OPEN)
MEETING OF: August 24, 2017

4. Trillium Trust Communications for Public Accounts

- GIN, MOT and TBS staff have been working with MOT and TBS communications staff regarding communications on the Trillium Trust, as part of this release of Public Accounts.
  - The messaging emanated from TBS communications, working with all projects receiving Trillium Trust funding and direct transfers to include in-year dollar map of Trillium Trust investments and a brief description of each project. This was to be included in the Public Accounts Trust Reporting with language indicating these projects were supported by the Trillium Trust.
  - TBS communications have also been inquiring on the possibility to include a statement in the Public Accounts that indicates the remaining balance of the Trillium Trust (e.g., projects under the Gretzky Community Infrastructure Fund) and dollar amounts received by each projects from the Trust to 2016-17.
    - GIN, MOT and TBS staff will continue to monitor the communications approach. Some potential light at visibility for municipal projects, artworks, at the Trillium Trust Waterfront Park and/or at locations of the Trust.
- GIN, MOT and TBS staff will continue to work with communications staff on a communications strategy.

5. Green to Gig: road ahead on plan employment ideas

Pic – Tombstone Lake Fire Hunter (CLFN) Meeting Proposal

- [redacted]
- [redacted]
  - [redacted]
- [redacted]

- On July 26, 2017, Chief Risk Alert at CLIN, again wrote to the Minister of Finance requesting a meeting with the Minister or the Deputy Minister to discuss the Company's risk profile and risk management practices.
  - The Deputy Minister was in transition to the Minister of Finance role. No response was received to the October 2017 letter. CLIN has not had any discussions with the Minister or Deputy Minister since 2016.
- Staff believe that the Minister or Deputy would at least meeting with the Chief of CLIN, to outline, at a high level, the issues upon which SFTC can engage in discussions.
  - Staff could also seek to brief the Deputy and Minister in advance to determine appropriate options for future discussions between SFTC and CLIN and Envestitch.
  - Staff also could seek to meet with the CLIN advisor and Envestitch in advance of any meeting to determine what issues they wish to raise.
- Staff can draft up a response letter to the July 26, 2017 letter and will be consulting with MBS and NUTSY on the language in this letter.

Aboriginal Loan Guarantee Program

- The Envitation governments, in a transmission, stated that is interested in connect 27 Aboriginal communities to broadband. The Envitation governments have applied for the Aboriginal Loan Guarantee Program (ALGP) to support its planned equity investment in the project.
- The Envitation governments request guarantees in $500 million.
- This amount may be affected by the outcome of Provincial discussions with the federal government on federal support for the project, we regarding the benefit to the Envitation governments of providing the guarantee and the risk to the government of providing the. If the Nations communities start defaulting service payments to Envestitch.
- A First Nations organization would be a partner, along with FortisOntario, in Envestitch. The Nations would hold a 49% interest, retained by First Hermes in only 2% and to connect the remote communities.
- A Treasury Board submission is being prepared, targeted for September, on the Envitation governments' application for the guarantee.
  - Because the ALGP is a [redacted] program, [redacted]
  - [redacted] the ALGP [redacted] [redacted] [redacted]

- Postponing the Treasury Board submission until there is certainty regarding the level of federal government support may cause a delay for the applicant in securing [redacted] financing.
- If the submission request moves from an [redacted] amount and [redacted] [redacted] [redacted]

Ministry of Economic Development, Job Creation and Trade

- _____(MEDJCT), Cabinet Office
- The Ministry of Northern Development and Mines (MNDM) is requesting Treasury Board/Management Board of Cabinet (TBS/MBC) pre-announcement to Cabinet for approval of an Order-in-Council (OIC) approving the Ontario Infrastructure Projects Corporation (OIPC) to enter into a Loan Agreement with the Province of Canada (CIB) under the Ontario Financing Authority, of up to $0.5 billion for road-first infrastructure projects to support the Ring of Fire development.
  - Since 2012, CIB OIC (controlled) utilized by Ed Clysdale of Finance (Finance) on behalf of the Province of Ontario (Province) and CIB. Currently, the Province's investment is a result of a number of large developments.
  - Currently, the only Loan Agreement now available to CIB OIC is the advancement of funds to Ontario Power Generation (OPG) for Darlington.
  - As the CIB OIC continues to implement its Transformational Plan, it requires the appropriate tools to improve its fiscal responsibility and accountability as a public body.
  - MNDM believes that a MBA-LOC would allow the agency to manage its cash flow more efficiently.
- CIB, staff have been working with MBZIM staff to provide comments and advice on CIB's draft Loan Agreement. Submitted terms are, "that would be required in order to enter into discussions for a LOC.
- MNDM is targeting the September 26, 2017 TB/MBC for its submission.
- Should the OIC be approved by TB/MBC, MNDM would need to seek a - 24 approval and would need to work with CIB, staff on appropriate terms for a LOC.
- MNDM staff have indicated that CIB/TC would like to have this agreement in place by the end of 2017.

- MNDM/CIB/MNDD and/orIT Treasury Board approval, on July 27th, of a $500M loan program through the CIB to Alectra Energy Ontario property, an affiliate and subsidiaries.
  - Legislation has been passed to provide a confirmed dates to/and by MNDM, a Project Agreement between MNDM is currentlybeing is exploring this fund program. The contract letter has been drafted, including an MOU between MNDD and CIB, outlining roles and responsibilities for these loans, which have been shared with MNDD staff
- MNDD has still be requesting as a 24 loans exemptionspecific to this program as some of the requirements may not be applicable ownership threshold amounts set out in the current proposed exemption regulation.

- Wolf CBS legal are currently preparing drafting instructions for Legi Counsel.
- Wholesale approval of the joint MOTIVE acquisition will likely be sought in early September.

From: Francisco Chinchon
To: Ronald Kwan; Gavin He
Cc: Angie Georgakakos
Subject: RE: MO Bi-weekly Agenda
Date: Friday, July 21, 2017 1:24:05 PM

Hi,

I'm okay with the ones related to SIFB.

Thanks,

Francisco

From: Ronald Kwan
Sent: Friday, July 21, 2017 12:51 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi,

With the passage of time, I made a few more edits.

Ron

From: Gavin He
Sent: July-17-17 18:15
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: Re: MO Bi-weekly Agenda

Hi Ron,

Both SIFB and CFB are good with your edits. I will share the electricity and AO section with Scott's team for input then.

Regards,
Gavin He

On Jul 17, 2017, at 5:12 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Thanks Gavin.

Was SIFB okay with the edits, and CFB too?

I put in one bullet on the Provincial Support Agreement.

Ron

From: Gavin He
Sent: July-17-17 16:57
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: FW: MO Bi-weekly Agenda

Hi Ron,

Please find attached the updated agenda for your review.

For your first inquiry on the Provincial Support Agreement update, John prefers just to have an oral update if you are okay with that approach?

Thanks,
Gavin He

From: Emily Kerr
Sent: Monday, July 17, 2017 4:45 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

I have responded to Ron's comments in the attached and added a section on the Algonquin land claim. Also attached is the date-stamped copy of the letter from the Minister of Finance to CLFN which Ron asks about in the agenda.

Emily

From: Gavin He
Sent: Monday, July 17, 2017 3:59 PM
To: John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: FW: MO Bi-weekly Agenda

Hi John/Emily,

Please see attached suggestions from Ron.

Regards,
Gavin He

From: Ronald Kwan
Sent: Monday, July 17, 2017 3:57 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

Some suggestions, as attached.

Thanks,
Ron

From: Gavin He
Sent: July-17-17 14:18
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the annotated agenda for your review.

Regards,
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From: Gavin He
Sent: Friday, July 14, 2017 5:06 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Tuesday, July 18th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **noon on Monday, July 17th, 2017** for Ron to review? Sorry for the late notice.

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

<Annotated Agenda MO July 18 2017 CEFD_v1_Markup2.docx>

From:	Ronald Kwan
To:	Gavin He
Subject:	RE: MO Bi-weekly Agenda
Date:	Friday, July 21, 2017 12:54:33 PM

I'll print, assuming no further changes.

Thanks,
Ron

From: Ronald Kwan
Sent: July-21-17 12:51
To: Gavin He <Gavin.He@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
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To:	Gavin He; Francisco Chinchon; John Kim; Emily Kerr
Cc:	Angie Georgakakos
Subject:	RE: MO Bi-weekly Agenda
Date:	Friday, July 21, 2017 12:51:19 PM
Attachments:	Annotated Agenda MO July 18 2017 CEFD_v2_Markup.docx

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Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Tuesday, July 18th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **noon on Monday, July 17th, 2017** for Ron to review? Sorry for the late notice.

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

<Annotated Agenda MO July 18 2017 CEFD_v1_Markup2.docx>

STAFF TRACTY A. ARNOT OPTIMIZATION RELATED ISSUES:

1. **Fort Hydro Plan**
   - Staff have been meeting with OEED staff and other IOOs staff in working in place the structure for Boating Fort Technical. Following, eff energy equity objective has OP it to support the IOPC Governing Entity's purchase of the 51.5% negotiated asset under the Fort Hydro Plan.
   - A Master Subscription Agreement (MSA) is/will be/ signed between the Ministry of Energy (E'energy) and IOPC/ with respect to the equity injections.
     - The MSA will be executed following the Province's final approval of the Fort Hydro Plan and the Province's IOO Implementation Committee (IOIC) as well as the Province's Treasury Board. The MSA will be executed by the Minister of Energy to facilitate the prospective monthly equity injections.
     - Energy has expressed the view that the IOIC should be a third party to the MSA.
   - OEFD staff are also providing input into and monitoring discussions on the proposed Provincial Support Agreement.
2. **Aboriginal Loan Guarantee Program**
   - The Aboriginal Loan Guarantee Program is a program project intended to minimum 27 remote communities in northwestern Ontario has submitted an application to the Aboriginal Loan Guarantee Program (ALGP) as a support its planned equity investment in the Fort Hydro Plan. Staff have been meeting with ALGP staff to discuss:
     - How Hydro One is utilizing the Aboriginal Loan Guarantee Program to support Aboriginal participation in the Fort Hydro Plan and the Province's Aboriginal Participation Policy in Electricity Transmission Projects.
     - The Province's role in the ALGP, a sponsor is/ is/ subscribing as Project, 27, 2016 more selected by Vice Province in July 2016 to oversee the various communities.
     - The Province's role in the ALGP, a sponsor is/ is/ subscribing as Project, 27, 2016 more selected by Vice Province in July 2016 to oversee the various communities.
   - Staff have been meeting with ALGP staff to discuss the ALGP's proposed increase in the program amounts by ALGP's [illegible] to support Fort Hydro Plan and current applications, including the Waterfall project Transmission Project.
     - [illegible]
     - [illegible]
3. This submission is sold also seek an exemption from the following its GP assessment requirements: (a) the requirement to file a Pre-Filing Report at least 6 months prior to filing in order to accommodate the target scale of this particular project/business, and (2) the limit that the government loan not represent more than 75 per cent of the closing cost equity in a project.

5. Constance Lake First Nation (CLFN) Meeting Request

- The Minister of Energy is a letter to the Minister of Finance informed of the Government's decision to [redacted] Ontario Power Generation's (OPG) Lakeview coal-fired power plant (LVPP). Environment and CLFN regarding refinancing of pollution control equipment.
- CLFN also sent a letter to the Minister of Finance requesting that discussions take place between CLFN, Ecostrategic and OPG regarding the governance debt and the Lakeview Coal Conversion Project (LCCP) and the relationship with MEIF and NCICI.
  - In 2015, CLFN and OPG had also entered into a Business with a government with EMERGE and MEIF, which included as a purpose addressing the ongoing operations of the facility and how Constance Lake may become a more active participant in the operations and maintenance (O&M) and ownership of the facility. It also provided for transfer payments to CLFN as provided in the Agreement, which were to be used for community economic development purposes.
- On September 1, 2017, the Minister of Finance sent a response to CLFN, noting the Ministry of Energy, stating that both OPG and MEIF would like to initiate a call to discuss.
- Ecostrategic, who prepared a letter that would mail to the banks which [redacted] [redacted] [redacted]

- (a) assigns, sells or consolidates (drawing, 2F can't control if lessor exercises with that 2F) or does such (such as but as Supply) or any act like this based on the Lessor's consent;
- The Fiscal Covenant would have by (drawn) an LOC, as the sweet rental position (drawn) (drawn) is (drawn) 2F, and is (drawn) a portion of the property (as (drawn)) (drawn) is (drawn) 2F, and is
  -

b. Lessor Insurance. Tenant, at Lessee sole EXPENSE Technical (but smaller) and

c. the Contract at any time of any case (by 2F Following Fiscal, assistant) or Lessee or Lessee's Affiliate or Lessee's Affiliate or Lessee's Affiliate

Tarawini Royalty Reporting Obligation Change Request

- Tarawini Resources has requested a change to the royalty reporting requirements under the Exploitation Royalty Agreement (ERA) for the Tarawini Coal Project. The proposed change would modify the timing of royalty reporting and payments to the Crown, as follows:
  - Royalty reporting statements from within 45 days of the end of each quarter
  - Royalty payments from within 60 days of the end of each quarter (previously 30 days)
  - Audited royalty statements (Q4 financial statements, under the ERA, and Mid-Q4 unaudited statements).
- The royalty rate and financial statements will continue to be provided as set out in the ERA. Agreements, only on the royalty reporting requirements, a statement from Tarawini's external auditors certifying the accuracy of the royalty statements will be required annually. The next statement received will continue to be delivered within 60 days of year-end.

Tarawini Royalty Payment Request

- Tarawini is seeking a 30-day royalty payment extension to ease cashflow pressures.
- Tarawini's forecast royalty payments for the next three months are:
  - October to the latter provided in 2021 for the changes under the ERA's, due to the unaudited statements at some time in the future.
  - November: $1.2 million
  - December: $1.4 million
- The 30-day royalty payment from Tarawini to the Premier is expected to be received by the Department of Treasury and Finance by 31 August 2021. All the royalty reporting is expected to be received by the end of August.

2026 Annual Lending Allocation

- The Minister of Finance will be issuing a request from the GRC to approve, pursuant to the Capital Investment Fund Act of the GRA, the GRA's 2027-28 Annual Lending Allocation of $1.2 billion. The GRC will be asked to approve the allocation within its Charge, and create an interest rate spread of up to 0.75 basis points above the Government's cost of funds.
- The 2-annual Lending Directive sets out the maximum authorised amount of the loans to individual borrowers, to the maximum amount of all the loans for groups of borrowers, and the maximum amount of loans for each purpose. The borrower's name and the specific purpose(s) for which the loans are required, with the other information required by the Lending Directive, are submitted to the GRC by the Chief Executive Officer, Corporate and Business Finance Finance, GRA, or a person designated by either to make an approval.

College Class-Exemption Regulation

- MAESD Minister has said no request to the Minister of Finance for a limited-college class-exemption regulation under existing ITA s.236 based on materiality thresholds, has been received.
- An assumed-class colleges are not going to be exempted simply at this time. Awaiting a decision of regulations under the revised legislation. ...including business-to-business transactions and MAESD loans.
- MoF Legal has prepared drafting instructions to copy Connect re: college-class exemption based on materiality thresholds, and MoF legal anticipates that there will be no issues with the drafting instructions from MoF Legal.
- A Ministerial approval package is targeted to move forward in late-August.

MAESD Loan Program for Energy Retrofit Projects at Colleges and Universities

- MAESD,MoESD will be seeking Treasury Board approval on July 25th of a $500M loan program through the IESO to finance energy retrofit projects at colleges and universities.
  - MoESD has been asked to provide a cashed table signed by their Minister and Deputy Minister by Wednesday, August 2nd at noon.
- MoESD/IESO is requesting a LRO class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current college-class exemption regulation.
  - MoF legal will be preparing drafting instructions for copy Connect.
- Ministerial approval of the regulation will likely be sought in early August.

From:	Ronald Kwan
To:	Ronald Kwan
Subject:	RE: MO Bi-weekly Agenda
Date:	Tuesday, September 26, 2017 6:12:57 PM
Attachments:	MO Bi-Weekly Sept 27 2017 CEFD_v2.docx

From: Ronald Kwan
Sent: September-26-17 17:36
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Usman,

See attached.

Ron

From: Usman Zahid
Sent: September-25-17 13:27
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Mara has asked to include a few additional edits. Attached is a markup relative to the version I send earlier today.

Regards,
Usman

From: Usman Zahid
Sent: Monday, September 25, 2017 11:20 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi Ron,

Attached is the proposed MO bi-weekly meeting agenda for the Wednesday, September 27, 2017 meeting.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: September 12, 2017

1. OPG / Province – Financial Guarantee with CNSC

- The Canadian Nuclear Safety Commission (CNSC) is holding a public hearing on October 11th in Ottawa regarding OPG's proposed 2018 – 2022 financial guarantee with the CNSC.
    - OPG's licence requirements require that OPG provide the CNSC with a financial guarantee to cover its nuclear decommissioning (including waste management) liabilities.
    - Under ONFA, the Province agrees to support OPG's financial guarantee requirement to the CNSC.
    - To-date, the financial guarantee has been satisfied by an agreement to provide CNSC access to the ONFA funds under certain circumstances, and a direct Provincial guarantee agreement to the CNSC. The Minister of Finance has previously signed both agreements on behalf of the Province.

- OFA, and MOF Legal staff attend the hearing on behalf of the Province and may be required to answer questions from the CNSC Members.

- Staff are preparing a briefing deck for the Minister in advance of the hearings, as the CNSC will be seeking confirmation on the Province's support of OPG's financial guarantee submission.

- The value of the segregated funds are currently sufficient to cover OPG's proposed financial guarantee requirements, and, therefore, OPG's proposal to the CNSC to satisfy the financial guarantee requirement relies solely on the value of the funds, without the requirement for a direct Provincial guarantee to the CNSC.
    - The Province is expected to receive questions on the proposed approach with no Provincial Guarantee.

2. Ontario Nuclear Funds Agreement (ONFA) Technical Amendment and CNSC public hearing

- As indicated at the time of the post-ONFA Reference Plan approvals in 2016-17, CEFD staff have worked with MOF Legal on drafting a technical amendment to ONFA to include the Bruce Power Radioactive Waste Operations Site 1 (RWOS1) and the Bruce Power Central Maintenance and Laundry Facility (CMLF).
    - Follows direction from the Canadian Nuclear Safety Commission (CNSC) to include these cost estimates as part of the calculation of and inclusion in OPG's financial guarantee requirement to the CNSC (and the Province's guarantee to the CNSC, if required).
    - The Provincial Guarantee to the CNSC has historically been calculated as OPG's financial guarantee requirement, less the value of OPG's nuclear funds (excluding amounts due to the Province).

- Cost estimates for these two facilities are very small relative to the total nuclear liability estimate (PV$ 12M or C$44M), and, therefore, would not have a significant impact on OPG's nuclear rates.
- Amendments to ONFA require approval from the Minister of Finance.

- The draft amendment would also allow for additional costs related to licensed facilities the CNSC might obligate OPG to include in its financial guarantee requirement to the CNSC, to be added to ONFA in the future, if approved by the Province.
    - This change would streamline the approval process in the future as the addition of facilities to the ONFA would not require a full technical amendment, while still ensuring that the Province would have rights of approval.

- A final execution copy of the amendment was provided by MOF Legal to OPG for sign off on June 15th.

- CEFD staff recommends that the Minister approves the technical amendment as soon as possible, preferably prior to the CNSC hearing on October 11.

3. IESO Credit Facility

- Staff are working to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $600 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $497 million.

- 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].
- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - Staff are waiting for comments from Energy and IESO and potentially anticipate an outreach from Energy at various levels.

4. Constance Lake First Nation (CLFN) Meeting Request

- Staff understand that a response letter has been sent to the Chief of CLFN proposing a meeting with the Deputy Minister.

5. Wataynikaneyap Power L.P – Federal Contribution

- Wataynikaneyap Power LP is planning to develop and operate electrical transmission and distribution lines in northwestern Ontario (the "Project"). The Project will be financed with equity, senior debt and, as proposed by Energy, a Provincial loan to be supported by a possible contribution from the federal government. This financing structure and potential federal contribution is currently under discussion between the provincial and federal governments.
- No updates since the September 18 meeting at which Energy and its negotiator presented to PO and CO its proposal for a Provincial loan to the Project. Staff from OFA and TBS attended this meeting.

OTHER ISSUES

6. OCGC S.28 Approval of Indemnities in Sidense Sales Agreement

- OCGC staff have advised OFA that s.28 approval is required in order for OCGC to provide certain indemnities in regard to the sale of its equity interest in Sidense.
  - In the sales agreement, OCGC is required to provide ownership and authority representations and to indemnify the purchaser if those representations are inaccurate.
  - According to OCGC staff, if s. 28 approval is obtained then OCGC would be able to execute the agreement and monetize its investment in Sidense, generating a positive fiscal impact of $7.7M. If s 28 approval is not obtained, there would be a negative fiscal impact of $2.7M.
- OCGC is working with staff at MRIS on the s.28 approval request package to be signed by their Minister.
- OCGC advised late last week that the target date for signing the agreement was planned for September 25th with financial close on September 29th. Apparently this timeline is being driven by the purchaser (a U.S. public company) that would like to disclose the purchase in its financial statements for this quarter.
- OCGC staff were advised by OFA staff that s.28 approval by Monday September 25th was not feasible given that (i) MRIS has not signed off on the s.28 approval request package, (ii) OFA and MoF Legal staff need time to review the documentation and (iii) both the Minister and DM of Finance will be out of the office until Thursday September 28th.
- Staff are working as expeditiously as possible, and pending receiving a complete, signed s.28 approval request from MRIS.

7. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
  - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
  - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
  - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

From: Gavin He
To: Ronald Kwan
Cc: Emily Kerr; John Kim; Francisco Chinchon
Subject: RE: MO Bi-weekly agenda
Date: Monday, January 23, 2017 11:51:27 AM
Attachments: Annotated Agenda MO Jan 23 2017_v2.docx

Hi Ron,

Please find attached the updated MO agenda which incorporated your requests as well.

Scott Nelms also reviewed the agenda (previous version) and just added a topic – Hydro One secondary offering for discussion.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Friday, January 20, 2017 5:36 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: MO Bi-weekly agenda

Hi Gavin,

Some suggestions. And we should likely break this up into two separate products going forward, between the electricity & AO topics vs the rest.

Ron

From: Gavin He
Sent: January-20-17 11:03
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly agenda

Hi Ron,

Please find attached the updated MO bi-weekly agenda for your review.

Regards,
Gavin He

From: Gavin He
Sent: Thursday, January 19, 2017 6:28 PM

To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-weekly agenda

Hi Ron,

Please find attached the proposed MO bi-weekly agenda for your review.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, January 17, 2017 10:41 AM
To: John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly agenda

Hi all,

Ron will be having his next MO bi-weekly meeting on Monday, January 23rd, 2017. To help him prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, January 19th, 2017**?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MEC OPS&PLTE - January 11, 2017

Public (Rev 0) - EXPORT CONTROLLED (Rev 0)(Public Rev 0)(EXP)

1. Global & Quadrant Cases

- On January 23, 2017, the Supreme Court of Canada dismissed GETC 's application seeking leave to appeal the Ontario Court of Appeal decision on GETC 's compliance with the Income Tax Act (ITA) and Canada-US Tax Convention.
  - On April 26, 2016 the Ontario Court of Appeal dismissed GETC 's appeal of a March 3-2, 2016 Decision rendered by the Tax Court of Canada determined that GETC has incorrectly calculated payment provisions of 3,277 Input Purchase Contracts.
- While GETC's practice has consistently been that it has administered Input power purchase agreements in a manner that it believes has been correct, GETC has been complying with the decision and orders of the tax court, and no further accruals are required at this time.
  - Upon receiving the Tax Court of Canada's March 3, 2016 decision, GETC commenced withholding 25% of the amounts due and payable to Input generators (IGs) for electricity delivered during the period from January 2016 to December 2016 (the "Withheld Amounts") pursuant to the Decision.
  - As such, for electricity delivered from February 2016 onwards, the applicable Withheld Amounts will be withheld and remitted to the CRA pursuant to the Supreme Court decision. Therefore, the Supreme Court decision requires no further changes to the manner in which GETC determines the payments to be made to the IGs.
- There are standard IGAs now reached in the layouts which have PPAs that contain similar terms and price protections as those that are under consideration by the Supreme Court. As the Supreme Court decision is now unreasonable, GETC may also have to address payments under these PPAs.
  - [redacted]
- As GETC recovers the full cost of contracts through the Global Adjustment, there is no financial impact to GETC's earnings. GETC is also not involved in the ongoing settlement process of the Independent Electricity System Operator (IESO).

Ref Page 1: [redacted] Commercially Sensitive
Ref Page 1: [redacted] Commercially Sensitive

8. Trillian Trust

- CEYD staff have been working with MGT Legal on the drafting of a negative undertaking to be given by the Trillian Trust and the two persons from the secondary offering of Hydro One shares.
- As part of this negotiation, staff are proposing to include language that is substantially similar to the language in the Trillian Trust Deed that limits the shares acquired in the Hydro One shares purchased by the Fiera Infrastructure Fund (FIIF) and Fiera Infrastructure Fund (FIIF) and Fiera Infrastructure Fund (FIIF) and

- This is subject to change as Hydro One B samples will have its information. Staff have also commenced with QP-G3 to finalize the accounting treatment under a case.

A. Gridd Financing Gridd A Quarter-ott

Staff presented a proposal to the Board and received a presentation on an electricity price mitigation approach that has been developed to safeguards of gene generation to supply credit by partially financing the t rise of their global adjustment (GA) after bringing debt to the province's balance sheet. Staff presented a proposal to the Board and received a presentation on an electricity price mitigation approach that has been developed to safeguards of gene generation to supply credit by partially financing the t rise of their global adjustment (GA) after bringing debt to the province's balance sheet.

The options presently under to deferring variable [illegible] and [illegible] and [illegible] and

1. Ordinary Shareholder with unrestricted ownership of Company's securities. Any matters considered by Shareholders at any Annual or Special Meeting of Shareholders, including the election of Directors.

2. Commitment Letter (First Mortgage)

1. Commitment Letter (First Mortgage) means a letter of offer issued by a Mortgage Lender to a Borrower setting out the terms and conditions upon which the Mortgage Lender is willing to provide a First Mortgage Loan to the Borrower, and includes any amendments to such letter of offer, but does not include any Second Mortgage Loan, Third Mortgage Loan, Fourth Mortgage Loan or Fifth Mortgage Loan.

2. Commitment Letter (Third Mortgage) means a letter of offer issued by a Mortgage Lender to a Borrower setting out the terms and conditions upon which the Mortgage Lender is willing to provide a Third Mortgage Loan to the Borrower, and includes any amendments to such letter of offer, but does not include any First Mortgage Loan, Second Mortgage Loan, Fourth Mortgage Loan or Fifth Mortgage Loan.

3. Commitment Letter (Fourth Mortgage) means a letter of offer issued by a Mortgage Lender to a Borrower setting out the terms and conditions upon which the Mortgage Lender is willing to provide a Fourth Mortgage Loan to the Borrower, and includes any amendments to such letter of offer, but does not include any First Mortgage Loan, Second Mortgage Loan, Third Mortgage Loan or Fifth Mortgage Loan.

4. Commitment Letter (Fifth Mortgage) means a letter of offer issued by a Mortgage Lender to a Borrower setting out the terms and conditions upon which the Mortgage Lender is willing to provide a Fifth Mortgage Loan to the Borrower, and includes any amendments to such letter of offer, but does not include any First Mortgage Loan, Second Mortgage Loan, Third Mortgage Loan or Fourth Mortgage Loan.

5. Commitment Letter (Second Mortgage) means a letter of offer issued by a Mortgage Lender to a Borrower setting out the terms and conditions upon which the Mortgage Lender is willing to provide a Second Mortgage Loan to the Borrower, and includes any amendments to such letter of offer, but does not include any First Mortgage Loan, Third Mortgage Loan, Fourth Mortgage Loan or Fifth Mortgage Loan.

6. The Commitment Letter (First Mortgage) dated as of [Date] between [Lender] and [Borrower] relating to the First Mortgage Loan.

7. Commitment Letter means any commitment, offer, agreement, or proposal issued by a Lender to a Borrower to provide financing, including a First Mortgage Loan.

8. Commitment Letter (Second Mortgage) means the commitment letter dated [Date] between [Lender] and [Borrower] relating to the Second Mortgage Loan.

9. Common Shares means the common shares in the capital stock of the Corporation, and includes any shares into which such shares may be converted, exchanged, or reclassified.

MINUTES FOR APPROVAL
Regular Session — January 13, 2027

1. Roll Call and Quorum

2. Approval of Minutes — Regular Session of December 9, 2026

3. Public Comment — Limited to three minutes per speaker

4. Consent Agenda — Items 4.1 through 4.6

5. Old Business

5.1 Ordinance 2026-14, Second Reading — Adoption of the Riverbend Corridor Form-Based Code

5.2 Resolution 2026-31 — Authorization of a Memorandum of Understanding with the Riverbend Transit Authority

5.3 Ordinance 2026-15, Second Reading — Amendment of Chapter 12, Stormwater Management

6. New Business

6.1 Request for Proposals — Engineering Services for the Cedar Creek Bridge Replacement

6.2 Lease Agreement — Suite 210, Harbor Point Professional Center

6.3 Surplus Property — Disposition of Vehicle Unit 14

6.4 Budget Amendment — Fiscal Year 2026, Fund 3, Capital Improvements

7. Reports of Boards and Commissions

8. Reports of Committees

9. Mayor's Report

10. Manager's Report

11. Council Comments

12. Executive Session — Pursuant to Section 30.5 of the Charter, to discuss pending litigation

13. Adjournment

Item 4.1 — Approval of Minutes

Motion to approve the minutes of the December 9, 2026 regular session. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 4.2 — Acceptance of Donation

Motion to accept a donation of $2,500 from the Riverbend Garden Club for the purchase of flowering trees for the Cedar Creek Bridge approach. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 4.3 — Appointment to the Parks and Recreation Board

Motion to appoint Dana Kowalski to a three-year term on the Parks and Recreation Board, term expiring December 31, 2029. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 4.4 — Appointment to the Planning Commission

Motion to appoint Marcus Delgado to a three-year term on the Planning Commission, term expiring December 31, 2029. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 4.5 — Resolution 2026-28, Fee Schedule Update

Motion to adopt Resolution 2026-28 updating the municipal fee schedule effective February 1, 2027. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 4.6 — Ordinance 2026-13, Second Reading — Zoning Map Amendment, 1420 Maple Street

Motion to adopt Ordinance 2026-13 rezoning 1420 Maple Street from R-2 to C-1. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 5.1 — Ordinance 2026-14, Second Reading — Adoption of the Riverbend Corridor Form-Based Code

Motion to adopt Ordinance 2026-14 adopting the Riverbend Corridor Form-Based Code and amending the Zoning Map accordingly. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 5.2 — Resolution 2026-31, Memorandum of Understanding with the Riverbend Transit Authority

Motion to adopt Resolution 2026-31 authorizing the City Manager to execute a Memorandum of Understanding with the Riverbend Transit Authority for shared maintenance facilities. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 5.3 — Ordinance 2026-15, Second Reading — Amendment of Chapter 12, Stormwater Management

Motion to adopt Ordinance 2026-15 amending Chapter 12 of the Code of Ordinances relating to stormwater management. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 6.1 — Request for Proposals — Engineering Services for the Cedar Creek Bridge Replacement

Motion to authorize the City Manager to issue a Request for Proposals for engineering services for the Cedar Creek Bridge Replacement project. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 6.2 — Lease Agreement — Suite 210, Harbor Point Professional Center

Motion to approve a lease agreement for Suite 210, Harbor Point Professional Center, for a term of three years at a monthly rate of $1,850. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 6.3 — Surplus Property — Disposition of Vehicle Unit 14

Motion to declare Vehicle Unit 14 surplus property and authorize its disposition by public auction. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Item 6.4 — Budget Amendment — Fiscal Year 2026, Fund 3, Capital Improvements

Motion to approve a budget amendment transferring $42,000 within Fund 3, Capital Improvements, for the Cedar Creek Bridge Replacement project. Moved by Council Member Ortega, seconded by Council Member Whitfield. Approved 7–0.

Minutes prepared by Janet Ellis, City Clerk. Approved as corrected at the February 10, 2027 regular session.

- CRI staff have informed NSCDC staff of two steps would be required in order for NSCDC to take on the guarantor role so that control management at NSCDC can make an informed decision.
- Step 1 would be for the college to ask NSCDC to simply take on the guarantor role for Durham College, as the community entities in the case of the colleges as guarantor would over the assumption in the case of a DivP process, e.g., restrictions on disposition of property, and control of boards and officers.

Step 2 would be for NSCDC to ask CRI staff to prepare a report to NSCDC Board of Directors to seek approval for the guarantor role.

- OCSAL is seeking approval for an increasing by-law to allow OCSAL to make short-term investments of surplus funds, for the period of 2017to 2020.
    - Only funds not currently required for OCSAL's immediate operating or capital needs would be invested, and could be done so until the assessment of the needs.
- CRI staff have reviewed the by-law, as well as an associated statement of investment policies and procedures, and recommend that the Minister of Finance approve the by-law.
- This by-law must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance before it can take effect. The Minister of the Environment and Climate Change has approved the by-law.

From: Ronald Kwan
To: Gavin He
Subject: RE: MO Bi-weekly agenda
Date: Friday, January 20, 2017 5:36:19 PM
Attachments: Annotated Agenda MO Jan 23 2017_Markup.docx

Hi Gavin,

Some suggestions. And we should likely break this up into two separate products going forward, between the electricity & AO topics vs the rest.

Ron

From: Gavin He
Sent: January-20-17 11:03
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly agenda

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Gavin He

From: Gavin He
Sent: Tuesday, January 17, 2017 10:41 AM
To: John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly agenda

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Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MEI UPDATE - January 11, 2017

Table of Contents

1. Global & Quadrant Issues

- On January 23, 2017, the Supreme Court of Canada dismissed GEVL's application seeking leave to appeal the Ontario Court of Appeal decision on GEVL's compliance with the Green Energy Act. Key points from the decision are:
  - On April 16, 2015 the Ontario Court of Appeal dismissed GEVL's appeal of a March 12, 2015 Divisional decision.
  - The Court of Appeal held that the Divisional Court of Justice determined that GEVL has incorrectly calculated payment provisions of LUT-based Purchase Contracts.
- While GEVL's position has consistently been that it has administered proper contract adjustments, it received final Ontario Decision has been known, GEVL has been complying with the decision and orders of the board courts, and no further proceeds will be pursued.
  - Based on the Court's decision, GEVL has begun to withhold payments from [redacted] GEVL estimates that it will withhold a total of [redacted] from payments to [redacted] over the remaining 18 years of the contract. GEVL has withheld payments since the May 2016 payment during the period from January 2016 to December 2016 and has withheld [redacted] to date.
  - As such, for electricity delivered from February 2016 onwards, the applicable payment rate to [redacted] is [redacted] per kWh in accordance with the Ontario Court decision. Therefore, the Supreme Court decision requires no further changes to the manner in which GEVL determines the payments to [redacted] under the contract.
- There are standard EOIs now finalized in the layouts which have FITs in their contracts similar terms and price protection as these that are under consideration by the Ontario Court. As the Ontario Court decision is now unreasonable, GEVL may also have to address payments under these FITs.
  - [redacted]
- As GEVL recovers the full cost of contracts through the Global Adjustment, there is no financial impact to the corporation. GEVL is working with the IESO and the Ministry settlement process of the Independent Electricity System Operator (IESO).

6. **Trillian Trust**

- CEVD staff have been working with MDT Legal on the drafting of a regulation under the Public Ownership (Trillian Trust) Act 2019. Trustee will then be precisely from the secondary offering of Hydro One shares.
- As part of this regulation, staff are proposing to include language that is sold all/an amount of the Hydro One shares held by the Trillian Trust, the Trillian Trust will be treated as the Hydro One shares purchased by the Fleischmann-Monro Limited (FMG) and Fluidity All Energy Professionals. (the "E-Units") as part of the IPO using Provincial funds, as well as the Hydro One shares purchased by OPTrust as part of the secondary offering.
- Staff are working closely with MDT Legal and Legislative Counsel to draft the Regulation. If the Trillian Trustee the public [redacted] the details of which to be shared with the Premier's Office and Cabinet Office prior to the Regulation coming into force. The Regulation is currently [redacted] for consideration by Legislative Counsel.

Ministerial Talk
Recommend that the Ministerial Office be informed of the Trillian Trust's intention to sell all/an amount of the Hydro One shares held by the Trillian Trust.

8. **Hydro One Employee**

- The sale of Hydro One Employee [redacted] to the public, which [redacted] to the Hydro One Employee Share Ownership Plan (the "Plan"). Hydro One Employee [redacted] to the Plan and a share [redacted] to the Plan.
- [redacted] of Hydro One Employee [redacted] Plan, and Hydro One Management on the [redacted] to the Plan.
  - The key dates [redacted]:
    - [redacted] Hydro One Employee [redacted] to Hydro One Employee made for the [redacted] to the Plan.
    - [redacted] to the Plan.
    - [redacted] to the Plan.
  - [redacted] to the Plan, prior to the sale to bring the enterprise value down to the agreed purchase price of $42/ [redacted] to the Plan.
    - [redacted] to the Plan, [redacted] to the Plan.
- [redacted] Hydro One Employee [redacted] to the Plan would provide an estimated [redacted] to the Plan.

- This is subject to change as the Anti-Covid samples will have its information itself hence also connected with QP-CD. to finalize the surrounding treatment under a case.

6. Gold Financing Global & Quotes ltd

- Gold Financing Global & Quotes ltd presented a presentation on an electricity price mitigation tool which would be more beneficial to companies of typical generators to apply credit by partially financing the cost of their global adjustment (GA) after incurring debt to the IESO. The presentation was presented by Mr. [redacted]

The options presently mentioned were [redacted] and [redacted]

[redacted]

[redacted] which do not [redacted] [redacted]

- It is noted that under any of these options the retail payout is quite limited and the cost of financing is relatively high. Under the first option, the cost of financing would not go beyond 2027 and 2028, and the higher cost caused by the deferral would be enjoying fully until 2027 or thereafter.
- Expert [redacted] Board and [redacted] at IESO, staff suggested that there are [redacted] [redacted]

9. Hydrostor Pre-award/RFA submission Plan

- CEO, reminded the staff EPC-2021-08 Business Plan from the Whitney will hungry and [redacted] [redacted] the Board proposed questions to GPG.

9. HST compliances and the impact

1. Compliance table Purchases

MINUTES FOR APPROVAL
Date Posted: Wednesday, May 11, 2022

STAFF REPORTS

Item 5 – SLA Section 26 Sharing Protocol

- Director of Finance will present the protocol on Lettering 9
- Protocol will be presented to the executive and will next step.
- Sharing protocol will be shared with all CMAs via a joint memo from EM Mgt and EM Director.
- AUCSS-MUFTRA working group to review key options for modernizing s.26 of the SLA. No projected increase in **[illegible]** and **[illegible]** for.
- Current s.26 formula is based on 2006 census data and is being reviewed by MUFTRA. The legislative working committee will provide advice, which will then be presented to the AUCSS Board of Directors for approval. Subsequently, a report to Council for its final approval will be presented.
- Preparation for AUCSS-RCI mass exemptions to be drafted by RAUSI no later, 2017 and will be presented to Council.

Item 6 – Invest in Climate & Energy Solutions Employment Corporation (ICI-CSEC)

- The purpose of the agency is to accelerating the deployment of greenhouse gas emissions reduction projects in Ontario. The ICI-CSEC will provide low-cost financing loans to ensure CHSAC institutes and businesses can access the cost-saved financing for those technologies.

Item 7 – Highway 407X Extension & ER Project – 3 – 28 upper level

- GTA Tax received Project's payments drafts from ICI Legal to retain section 28 Highway 407X.
- AUCSS has yet to provide formal response along with other supporting documents.
- Ministry of Transportation (MTO) has yet to provide the Project's financial costs.
- A commercial close is scheduled for February 28 while financial close is scheduled for March 31.

Item 8 – MAATOS as Guarantor for UOIT's AUSSM Endeavour

- MAATOS is contemplating replacing Graham College as guarantor of UOIT's AUSSM.
- MAATOS and **[illegible]** Group of the college that the guarantor covenants are [illegible] and the college has changed its capital needs.
- MAATOS will be presenting a motion to approve the guarantor agreement for the UOIT AUSSM Endeavour.

- CRA could issue a directive/clarification to staff on how/when they are required to enter the MoE/ECO to take on the guarantor role so that control management at MoE/ECO can make an informed decision.
- Ultimately, it is the decision of the MoE/ECO as to simply take on the guarantor role for Durham College, as the community entities in this case, of the college as guarantor would over see governance on the basis of the Province, e.g., restrictions on disposition of assets, borrowing, investments, etc.

Next Steps

- OCSAL is seeking approval for an increasing by-law to allow OCSAL to make short-term investments of surplus funds, for the period of 2017to 2020.
    - Only funds not currently required for OCSAL's immediate operating or capital needs would be invested, and could be done so until the encashment of the bonds.
- CRA staff have reviewed the by-law, as well as an associated statement of investment policies and procedures, and recommend that the Minister of Finance approve the by-law.
- The by-law must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance before it can take effect. The Minister of the Environment and Climate Change has approved the by-law.

From: Gavin He
To: Ronald Kwan
Subject: RE: MO Bi-weekly agenda
Date: Friday, January 20, 2017 11:03:17 AM
Attachments: Annotated Agenda MO Jan 23 2017.docx

Hi Ron,

Please find attached the updated MO bi-weekly agenda for your review.

Regards,
Gavin He

From: Gavin He
Sent: Thursday, January 19, 2017 6:28 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: MO Bi-weekly agenda

Hi Ron,

Please find attached the proposed MO bi-weekly agenda for your review.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, January 17, 2017 10:41 AM
To: John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly agenda

Hi all,

Ron will be having his next MO bi-weekly meeting on Monday, January 23rd, 2017. To help him prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, January 19th, 2017**?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

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Gavin He

ANNOTATED AGENDA
MO UPDATE: January 23, 2017

1. Global Adjustment lawsuit

- On January 19, 2017, the Supreme Court of Canada dismissed OEFC's application seeking leave to appeal the Ontario Court of Appeal decision on OEFC's compliance with the payment provisions of 12 Power Purchase Agreements.

    - On April 19, 2016 the Ontario Court of Appeal dismissed OEFC's appeal of a March 12, 2015 lower court decision.
    - On March 12, 2015 the Ontario Superior Court of Justice determined that OEFC has incorrectly calculated payment provisions of 12 Power Purchase Agreements.

- While OEFC's position has consistently been that it has administered these power purchase agreements in a manner that it believes has been correct, OEFC has been complying with the decision and orders of the lower courts, and no further avenues of appeal are available.

    - Since there already had been the March 12, 2015, Ontario Superior Court judgment against OEFC, it had been required to make retroactive payments of approximately $180 million in the fall of 2016 to the applicant non-utility generators (NUGs) for electricity delivered during the period from January 2011 to January 2015 that predates the Ontario Superior Court decision.
    - As well, for electricity delivered from February 2015 onwards, the applicant NUGs have been paid at rates determined in accordance with the Ontario Superior Court decision. Therefore, the Supreme Court decision requires no further changes to the manner in which OEFC determines the payments to the applicant NUGs.

- There are several NUGs not involved in the lawsuit which have PPAs that contain similar terms and price provisions as those that were under consideration by the courts. As OEFC's application for leave to appeal was unsuccessful, OEFC may also have to address payments under these PPAs.

    - Some additional payments would also be required due to an Ancillary Agreement OEFC entered into with an applicant NUG.

- As OEFC recovers the full cost of contracts through the Global Adjustment, there is no impact expected on the stranded debt. This recovery is done through the monthly settlement process of the Independent Electricity System Operator (IESO).

- In January 2013, notices of application commencing legal proceedings were served on OEFC in relation to 12 NUG contracts that have rate escalation based on a Total Market Cost (TMC) index.

- TMC is defined in NUG contracts to be the cost of electricity delivered on a 100 per cent load firm basis to a wholesale market participant loan customer. TMC includes Hourly Ontario Energy Price (HOEP), Wholesale Market Service Charges, Transmission Service Charges, the Debt Retirement Charge and the Global Adjustment.
- A regulation change effective January 1, 2011, changed the allocation of the Global Adjustment between large industrial and other electricity consumers.
- As a result of the change in the GA allocation, the TMC index is lower, which reduced the contract price escalation for NUG power purchase agreements (PPAs) using this index.

2. Trillium Trust

- CEFD staff have been working with MOF Legal on the drafting of a regulation under the Trillium Trust Act to credit the Trillium Trust with the net proceeds from the secondary offering of Hydro One shares.

- As part of this regulation, staff are proposing to include language that would allow the Province to credit, over time, the Trillium Trust with the net revenue gains related to the Hydro One shares purchased by the Power Workers' Union (PWU) and Society of Energy Professionals (the "Society") as part of the IPO using Provincial loans, as well as the Hydro One shares purchased by OPG as part of the secondary offering.

- Staff are working closely with MOF Legal and Legislative Counsel to establish language for the regulation that will allow for on-going, future crediting of the Trillium Trust as the gains are realized as opposed to introducing a new regulation to credit the Trust each year as preferred by Legislative Counsel.

3. Hydro One Brampton

- The sale of Hydro One Brampton to Powerstream, Enersource, and Horizon Utilities (MergeCo) is tracking to close at the end of February.

- Staff are working with Torys and Hydro One Brampton on the final steps required to facilitate the transaction.

    - The key steps include swapping Hydro One Brampton debt for equity to sell the company debt free as per the agreement with MergeCo and the payment of a dividend to the Province prior to the sale to bring the enterprise value close to the agreed purchase price of $607 M.

- Based on a revised financial outlook provided by Hydro One Brampton, the sale would provide an estimated ~$160 M fiscal benefit to the Province (~$80 M gain on sale and ~$80 M in PILs).

- This is subject to change as Hydro One Brampton refines its information. Staff have also connected with OPCD to finalize the accounting treatment under a sale.

4. OCWA

- OCWA is seeking approval for an investing by-law to allow OCWA to make short-term investments of surplus funds, for the period of 2017 to 2018.
    - Only funds not currently required for OCWA's immediate operating or capital needs would be invested, and would be done so with the assistance of the OFA.
- OFA staff have reviewed the by-law, as well as an associated statement of investment policies and procedures, and recommend that the Minister of Finance approve the by-law.
- This by-law must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance before it can take effect. The Minister of the Environment and Climate Change has approved the by-law.

5. Debt-Financing Global Adjustment

The Ministry of Energy (ENERGY) has provided a presentation on an electricity price mitigation options to defer the pass-through to ratepayers of some generation supply costs by partially financing the cost of the global adjustment (GA) and incurring debt to pay the generators their contracted or regulated payments.

The options generally involve reducing current costs and deferring part of the costs into long-term. The presentation analyzes the system cost and ratepayer impacts of the options, but does not address the fiscal impact/accounting treatment, or implementation.

- It should be noted that under any of these options the relief period is quite limited when compare to the period under where future ratepayers will have to pay the cost of the deferral. Based on some of the illustrative charts, the impact of the relief would not last beyond 2022 and 2024, and the higher cost caused by the deferral would hit electricity bills until 2042 at the least.
- Preliminary discussions between us and OPCD staff suggest that there are material fiscal and reporting risk associated with this proposal.

6. FAA Section 28 Sharing Protocol

- Minister of Finance approved the protocol on January 9
- President of Treasury Board approval is still pending
- Sharing protocol will be shared with all DMs via a joint memo from DM MoF and DM TBS

- An OFA/MOF/TBS working group is reviewing options for modernizing s.28 of the FAA, for possible inclusion in the 2017 Budget bill.
- Regulation has been drafted for college class exemption and is being reviewed by MAESD. The regulation would exempt transactions above certain percentage thresholds from requiring s. 28 approval. Exempt transactions would still be subject to ministry oversight (to be spelled out in a binding policy directive prepared by MAESD).
- Regulation for OLG/LCBO class exemption to be drafted by RAOD in early 2017 along with a financial directive.

7. Ontario Climate Change Solutions Deployment Corporation (OCCSDC)

- OFA staff to meet with MOECC representatives on Jan 23rd to discuss how key roles and responsibilities could be shared by the OCCSDC and the OFA. Key information on the OFA/agency relationship will be included in MOECC's report back to TB on the final regulation setting up this agency as well as the accountability framework and some details on programs offerings.
- The purpose of the agency is to accelerate the deployment of greenhouse gas reducing technologies, through services, offering grants and rebates and using financing tools to ensure Ontario residents and businesses can access low-interest financing for these technologies.

8. Highway 427 Expansion AFP Project – S. 28 approval

- OFA has received Project Agreement drafts from IO Legal to start section 28 approval process
- MTO has yet to provide formal request along with other supporting documents
- Kick-off meeting with OFA, MTO, IO and MOF Legal to be scheduled for next week.
- Commercial close is scheduled for February 28 while financial close is scheduled for March 3.

9. MAESD as Guarantor for UOIT's $220M Debenture

- MAESD is contemplating replacing Durham College as guarantor of UOIT's debenture.
- The ministry agrees with the college that the guarantor covenants are too restrictive for the college to manage its capital needs.
- CFB staff have informed MAESD staff what steps would be required in order for MAESD to take on the guarantor role so that senior management at MAESD can make an informed decision.
- It would not be appropriate for MAESD to simply take on the guarantor role for Durham College, as the covenants written in the case of the college as guarantor would not be appropriate in the case of the Province, e.g., restrictions on disposition of assets and cross-default provisions.
- OFA briefing note has been shared with DMO and TBS.

- OFA could not estimate the cost of re-writing the debenture issue (vs. seeking approval of debenture holders to re-purpose certain buildings). MAESD to look into the cost of issuing the debenture in 2004.
- MAESD will brief their senior management about whether to proceed to TB with submission.

10. Outlook Forecast/OPG Business Plan

- CEFD received the draft OPG 2017-19 Business Plan from the Ministry of Energy and has drafted a list of proposed questions to OPG.

From:	Ronald Kwan
To:	Gavin He
Cc:	Emily Kerr; John Kim; Francisco Chinchon
Subject:	RE: MO Bi-weekly agenda
Date:	Monday, January 23, 2017 2:29:10 PM
Attachments:	Annotated Agenda MO Jan 23 2017_v3.docx Annotated Agenda MO Jan 23 2017_v2_Markup.docx

Hi All,

I tried to shorten it a little, and re-arranged.

Ron

From: Gavin He
Sent: January-23-17 11:51
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Emily Kerr <Emily.Kerr@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>
Subject: RE: MO Bi-weekly agenda

Hi Ron,

Please find attached the updated MO agenda which incorporated your requests as well.

Scott Nelms also reviewed the agenda (previous version) and just added a topic – Hydro One secondary offering for discussion.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Friday, January 20, 2017 5:36 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: MO Bi-weekly agenda

Hi Gavin,

Some suggestions. And we should likely break this up into two separate products going forward, between the electricity & AO topics vs the rest.

Ron

From: Gavin He

Sent: January-20-17 11:03
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly agenda

Hi Ron,

Please find attached the updated MO bi-weekly agenda for your review.

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ANNOTATED AGENDA
MO UPDATE: January 23, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Electricity Price Mitigation: Debt-Financing Global Adjustment

The Ministry of Energy (ENERGY) has provided a presentation on an electricity price mitigation options, including an option to defer the pass-through to ratepayers of some generation supply costs by partially financing the cost of the global adjustment (GA) and incurring debt to pay the generators their contracted or regulated payments.

The options generally involve reducing current cost pass-through to consumers and deferring part of the costs for longer-term future recovery from consumers.

Energy's slides do not provide more details on implementation considerations.

- Based on some of Energy's illustrative charts, the relief would last to about 2022 / 2024, and the higher cost caused by the deferral would hit electricity bills of future ratepayers until 2042 or 2047.
- Preliminary discussions between CEFD and OPCD staff suggest that there are material challenges / fiscal and reporting risks associated with this proposal.
- OPCD staff have been contacted directly by Energy and they have met, along with KPMG and the IESO on accounting considerations.
- Additional provincial borrowing could put pressure on the Province's credit rating.
- Ministry of Energy has initiated an accounting analysis workstream and a legal workstream to put together potential legislative (including regulations) amendments that might be needed, including to the OEG regulatory framework.
- Meeting held on January 20 – attended by IESO, KPMG, Energy, OPCD and CEFD:
    - There was a brief discussion of the historical OEFC structure, noting that OEFC is consolidated into Public Accounts, and that OEFC has a bottom-line impact on the Province, so it is not a model to achieve the fiscal objective for the GA option.
    - Energy is also looking to the Regulated Price Plan as a potential model, writ large, for the GA option.
        - The discussion focused on the current practice of the IESO of not accounting for the "market books" (versus operating books).
        - CFO of IESO noted that it records its Global Adjustment activities, including draws on the line-of-credit with the OFA, under the market books, not on in its operating financial statements.
        - The RPP model discussed would require legislative changes.
        - Whether the current use of "market books" passes the scrutiny of accounting standards, PSAB or otherwise, is subject to further investigation. OPCD are having discussions with KPMG and IESO

counterparts on January 23 [today]. OPCD did raise the caveat that the AG may have its own view.

- Energy also briefly discussed the LDC option; however, it was considered to be problematic for LDC balance sheets.
    - It would also be complicated and time-consuming if it were to be implemented, and LDCs would likely not respond favourably.

2. Hydro One / Secondary Offering Update

3. Trillium Trust

- CEFD staff have been working with MOF Legal on the drafting of a regulation under the Trillium Trust Act to credit the Trillium Trust with the net proceeds from the secondary offering of Hydro One shares.

- As part of this regulation, staff are proposing to include language that would allow the Province to credit, over time, the Trillium Trust with the net revenue gains related to the Hydro One shares purchased by the Power Workers' Union (PWU) and Society of Energy Professionals (the "Society") as part of the IPO using Provincial loans, as well as the Hydro One shares purchased by OPG as part of the secondary offering.

- Staff are working closely with MOF Legal and Legislative Counsel to draft potential language for the regulation that would allow for on-going, future crediting of the Trillium Trust as the gains related to the sale of shares to the union trusts and OPG are realized, as opposed to introducing a new regulation to credit the Trust, e.g., each year. Legislative Counsel has indicated a preference for separate regulations.

4. Hydro One Brampton

- The sale of Hydro One Brampton to a new merged company ("Alectra", scheduled to be effective as at February 1, 2017) comprised of Powerstream, Enersource, and Horizon Utilities (typically referred to as "MergeCo") is tracking to close at the end of February.

- CEFD staff are working with EIGS staff, Torys and Hydro One Brampton on the final steps required to facilitate the transaction.

    - The key steps include the following:
        - At the Provincial Holdco level, swapping Hydro One Brampton debt for equity to sell the company debt free as per the agreement with MergeCo.
        - The payment of a dividend to the Province prior to the sale to bring the enterprise value close to the agreed purchase price of $607 M.

- Note that the "enterprise value" for the transaction is not the net fiscal benefit to the Province, as the book value, the value of the retained debt, and costs of the transaction have to be taken into account.

- **[NOT PUBLIC]** Based on a revised financial outlook provided by Hydro One Brampton, the sale would provide an estimated ~$160 M fiscal benefit to the Province (~$80 M gain on sale and ~$80 M in PILs). **[TBC]**

    - This is subject to change as Hydro One Brampton refines its information. Staff have also connected with OPCD to finalize the accounting treatment under a sale.

5. Outlook Forecast/OPG Business Plan

- CEFD received the draft OPG 2017-19 Business Plan from the Ministry of Energy and is drafting a list of proposed questions to OPG.

6. LTEP Consultations and the ALGP

- As part of the LTEP consultation and engagement process, Energy held information sessions across the province, including sessions in Indigenous communities.

- Energy staff have noted that there were comments at these sessions on the Aboriginal Loan Guarantee Program (ALGP) and new and emerging financing gaps in relation to Indigenous communities investing in energy projects.

- Energy staff have not provided details on these comments, but have requested a discussion on this and to explore options to address some of the issues.

7. Constance Lake First Nation

- Constance Lake First Nation (Constance Lake) have brought forward a grievance to the Ministry of Energy (Energy) and Ministry of Indigenous Relations and Reconciliation (MIRR), claiming that the First Nation was not properly consulted by the original developer of the Nagagami hydro project, which is located in the traditional territory of Constance Lake, and only agreed to participate under duress.
    - Constance Lake First Nation, along with Brookfield, are owners of the Nagagami hydro project. Nagagami has a non-utility generator (NUG) contract with Ontario Electricity Financial Corporation (OEFC).
    - Nagagami is a 15 MW hydro facility that has been in-service since 1996.

- In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which includes as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.

- The Nagagami project has performed poorly and has not provided significant returns to Constance Lake.
- Due to the facility's poor performance, the project has accumulated approximately $50 million in debt owed to OEFC.

- Energy staff have inquired about options that could be available under the NUG contract that could provide benefits to Constance Lake, if it was determined that the First Nation's grievance needed to be settled.
  - Staff for OEFC have noted to Energy staff that OEFC would not make general adjustments to the PPA related to settling a grievance without direction from the Minister of Finance.
  - Staff for OEFC have also noted that OEFC does have a process by which NUGs that are not financially viable under their existing contract may make a submission requesting changes to the PPA.

8. Global Adjustment Lawsuit

- On January 19, 2017, the Supreme Court of Canada dismissed OEFC's application seeking leave to appeal the Ontario Court of Appeal decision on OEFC's compliance with the payment provisions of 12 Power Purchase Agreements.
  - On April 19, 2016 the Ontario Court of Appeal dismissed OEFC's appeal of a March 12, 2015 lower court decision.
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- There are several NUGs not involved in the lawsuit which have PPAs that contain similar terms and price provisions as those that were under consideration by the courts. As OEFC's application for leave to appeal was unsuccessful, OEFC may also have to address payments under these PPAs.
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ANNOTATED AGENDA
MO UPDATE: January 23, 2017

OTHER ISSUES

9. FAA Section 28 Sharing Protocol

- Minister of Finance approved the protocol on January 9
- President of Treasury Board approval is still pending
- Sharing protocol will be shared with all DMs via a joint memo from DM MoF and DM TBS
- An OFA/MOF/TBS working group is reviewing options for modernizing s.28 of the FAA, for possible inclusion in a 2017 Spring bill.
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- Kick-off meeting with OFA, MTO, IO and MOF Legal to be scheduled for next week.
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- MAESD is contemplating replacing Durham College as guarantor of UOIT's debenture.

- MAESD staff agree with the college that the guarantor covenants are too restrictive for the college to manage its capital needs.
- MAESD staff will brief their senior management about whether to proceed to TB with submission.
- CFB staff have informed MAESD staff what steps would be required in order for MAESD to take on the guarantor role so that senior management at MAESD can make an informed decision.
- It would not be appropriate for MAESD to simply take on the guarantor role for Durham College, as the covenants written in the case of the college as guarantor would not be appropriate in the case of the Province, e.g., restrictions on disposition of assets and cross-default provisions.

13. OCWA

- OCWA is seeking approval for an investing by-law to allow OCWA to make short-term investments of surplus funds, for the period of 2017 to 2018.
    - Only funds not currently required for OCWA's immediate operating or capital needs would be invested, and would be done so with the assistance of the OFA.

- OFA staff have reviewed the by-law, as well as an associated statement of investment policies and procedures, and recommend that the Minister of Finance approve the by-law.

- This by-law must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance before it can take effect. The Minister of the Environment and Climate Change has approved the by-law.

ANNOTATED AGENDA
SEC OFFICE TF - January 2-3, 2017

PUBLIC PRACTICE & AGENCY LIAISON TASK FORCE (PALTF)

1. Welcome Kevin Valentine - Public/Financing Global & Quasi-Lab

Kevin Valentine, Chief Accountant of the SEC, welcomed the members of the recently group into action quickly. Kevin Valentine provided the below message to participants of the public/private supply chain by partially financing the cost of the global adjustment (GA) Level 1 and Level 2 Task Force (TF) and Working Group (WG) members.

The advisors primarily function to attend the panel to [illegible] and [illegible] and [illegible] [illegible] [illegible]

- [illegible] (June 2021 – 2.5 per cent, annual)

- CD [illegible] (land titles according to [illegible] Legal) on the dwelling of a registration under the Land Titles Act (Chapter 157, 2004 Edition) 1/20 with the net difference from the secondary offering. [illegible] Cole shares.
- As part of this regulation, staff are proposing to include language that is sold allow the [illegible] Province to credit, local Area, the [illegible] Trust with the net revenue gains shared [illegible] Province to credit, local Area, the [illegible] Trust with the net revenue gains shared [illegible] Province to credit, local Area, the [illegible] Trust with the net revenue gains shared Society of [illegible] Energy Professionals. (the "E Society") as part of the IPO Lump Provincial

more, as well as the Hydro One shares purchased by CPP-IL as part of the secondary offering.

- Staff also modeling individually M&T unpaid and capitalized carried to 2022.
- Staff also modeling savings from the acquisition of Avista and Hydro One as per the Union Gas proceeding. Have not yet seen the updated evidence that was filed on the Union Gas proceeding and watching the approval of Enbridge's new investment in Hydro One. Will be interesting to see what is approved in Enbridge's upcoming rate cases.

6. Hydro One Bruce plan

- The bulk of Hydro One's forecasted capital expenditures (Segment 1 activities) are related to the refurbishment of the Bruce A and B nuclear units. Commitment #1 discusses, and Undertaking J.8.1 requests, a breakdown of Bruce A by investment #1 and Bruce B by investment #2.
- Staff and IGUA are working with Hydro One. Three small Hydro One #1 workers on the shop floor, required to replace three retiring workers.
  - The main concern is the forecasted [redacted] escalating Hydro One Brampton costs for electricity and the increasing rate they can pay the agreement with [redacted].
    - Staff is in agreement of a declaration like IR evidence prior to the sale to Bruce. The contractor value shown in the agreed purchase price of $667 million.
    - Undertaking J.8.2 requests that the disbursements to operate the Bruce A and B units be provided for the years 2017 to 2022 and for the years 2023 to 2027 as a group. Staff is in agreement with providing this information.
- Hydro One has provided non-proprietary financial outlook provided by Hydro One Brampton. The second column, as shown in Undertaking J.8.3 (Excel format) is the Hydro One Brampton forecast. See [redacted].
  - This is subject to change as Hydro One #1 workers retires this information itself have also connected with OPUCN to finalize the ownership treatment under a sale.

7. Outlook for enwaSERVE Business Plan

- OEB reviewed the next CPCI, ACIT, GS Business Plan from the Advisory #1 energy and [redacted] Board #1 #1 #1 proposed operations for OPCN.

8. CDEP comparisons and the ACDC

- While GEPC's position has consistently been that it has administered these power purchase agreements in a manner that it believes has been correct, GEPC has been willing to discuss with the relevant parties if this issue is costly, and has further sought a negotiated set- as stated.
    - As such, for electricity delivered from February 2018 onwards, the applicant has been receiving payments based on the revised tariff determined by the Supreme Court decision. Therefore, the Supreme Court decision requires no further implementation in relation to the applicant's electricity supplied to the applicant KnUEA.
- There are second KnUEA, not involved in the lawsuit while faced PPAs that contain similar terms and price protection as these that are under consideration by the Supreme Court. GEPC has been willing to discuss these renewables, GEPC has also been in settled disputes under these PPAs.

[redacted]

[redacted]

1. Ministry of Finance approved the protocol on January 9
2. Energy Regulatory Commission approved on March 15
3. Energy protocol will be released both at 5:00p.m.in a joint memo from ECM MoF and ECM MoE
4. ELECTRICITIES unveiling project, to begin the options for modernizing a 3% of the Rice, its manufacturers and [redacted]
5. Rice, its manufacturers and [redacted] [redacted] [redacted]

- The purpose of the agency is to accelerate the deployment of greenhouse gas reducing technologies, through services, offering grants and rebates and using financing tools to secure Ontario investments and benchmarks our services has interest rates that are competitive.

Energy, Efficiency, and IT operation (EIT) Projects – EL, JD upon exit

- OCNS has received Program payment drafts from ID Logical to start service- 28 MDUs in service.
- ID Logical has provided formal request along with written supporting documents.
- Kick-off meeting with EITA, MTO, ID and MOF target to be scheduled for next week.
- Implementation time is scheduled for February 28 while financial close is scheduled for March 1.

MAESD as Guarantor for UOIT's $325M Debenture

- MAESD is oversighting working to share College as guarantor of UOIT's debenture.
- [redacted] knows with the college that the guarantor covenants are [redacted] for the college to manage its capital needs.

[redacted]

- Risk Committee endorsed MAESD staff whose issue would be required to vote for MAESD to take on the guarantor role so that public investigation at MAESD can make an informed decision.
- Under the Debenture Trust, MAESD to simply take on the guarantor role for Durham College, as the covenants written to the case of the college as guarantor.
- Debenture Trust Agreement, Section 5.1 (Covenant Purposes, e.g., restrictions on dispositions of assets and cross-default provisions).

OCNS

- OCNS is seeking approval for an increasing by-law to allow OCNS to make short-term investments in Ontario bonds, for the period of 2017-18, 2018
  - Only funds not currently required for OCNS's immediate operating or capital needs would be invested, and would be done so until the assistance of the funds.
- OCNS staff have reviewed the by-law, as well as an associated statement of investment policies and procedures, and recommend that the Minister of Finance approve the by-law.
- This by-law must be approved by both the Minister of the Environment and Climate Change and the Minister of Finance before it can take effect. The Minister of the Environment and Climate Change has approved the by-law.

From: Ronald Kwan
To: Usman Zahid
Subject: RE: Mo Bi-Weekly Agenda
Date: Tuesday, October 24, 2017 12:19:08 PM
Attachments: Annotated Agenda MO Bi-Weekly Oct 24 2017_Markup5.docx

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Hi Usman,

As edited.

Ron

From: Usman Zahid
Sent: October-24-17 12:08
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the consolidated Mo Bi-Weekly Agenda.

Regards,
Usman

STAFF PRESENTATION & ASSISTANCE PROGRAM RELATED ISSUES

1. Proposed Fuel Cell Policy

- Fuel Cell Policy
- Fuel Cell Policy

2. **ZECH Credit Facility**

- ZECH Credit Facility
- The existing $5.75 million facility is currently more than [redacted] million drawn
- Once the $5 million facility is fully in put in place, the $5.75 million facility is to be terminated by the CTC.

- Pursuant to the CTC Lending Policy, the CTC is required to include an intercept provision in respect of loans made by the CTC to public bodies or an unsecured loan that may be referred for intercept by the Minister of Finance (or Treasury Board or Cabinet).

- Full the requirements of the CTC's Lending Policy, the CTC has reached out to the Minister of Finance to ask that the Minister of Finance consider an intercept provision in credit facility agreements with the ZECH.

- ZECH's proposed fuel cell model nearing its end, the magnet with CTC, which has [redacted] ZECH is in discussions with [redacted] to replace the fuel cell. ZECH is required to replace its electrical thruster [redacted]

- Additional discussion points:

- In the event that the IESO decides to grant CPC-SE a priority of segments and then subsequently CPC-SE is unable to meet the CSC operating facilities with SSL, ICM, and CM, IESO would require the terms to be amended.
    - Staff have convened again to IESO staff that a Women's Dome be moved ideally to be approved as the IESO would need to make priority of segments based on CPC.

[redacted] Delivery Partnership Limited Partnership

- [redacted] Delivery Partnership Limited Partnership (the [redacted]) was a limited partnership between the [redacted] and [redacted] (collectively, the "[redacted]") formed for the purpose of entering into the [redacted] Agreement (the "[redacted]").
    - A [redacted] from the Minister of Finance to the CSC for the LTA has been signed by the Minister of Finance in July 2017.
- Under the [redacted] Limited Partnership Agreement, [redacted] loans to the [redacted] Limited Partnership.
- In order to be compliant with the GRL bundling Policy as it is currently written, either the loan agreement must include an interest provision or an exemption from the requirement to include an interest provision would be sought.
    - The inclusion of an interest provision in the [redacted] will require additional equity to be injected by the [redacted] to cover the interest payable by the Ministry of Finance to [redacted] in the form of the interest provision.
    - Alternatively, the Minister of Finance could direct the CPC on an exemption from the requirement to include an interest provision.

[redacted] Access to Information Request

- In October 2017, the CASC notified the Province that it received a request under the Freedom of Information and Protection of Privacy Act ("FIPPA") for a copy of the Judgement between the Province, as signed by the Minister of Finance, and CASC.
- The Judgement provides information regarding the current Provincial Guarantee and the Province's obligations to CASC under the Provincial Guarantee.
- By fulfilling this request, the Provincial Guarantee Agreement will be publicly released.
- The staff is working towards drafting a response to fulfil this request before the CASC's deadline of December 2, 2017, given CASC have requested a [redacted] extension to the deadline.

Next steps of the RMP, and Next Meeting

Minister of Finance has received initial budget bids or directions from the Finance Ministers of CEE, as we would provide support after a bid from the Ministry in respect of QA, deferral on their rates, and options to assist such impacts. If that is the case please let us know.

- This deal ticket has been closed out EP-wing as a staff level on Oct 12 and to date there has been no progress.

Cornerstone Lake Purchase (CLP) Closing Proposal

- On July 1, 2017, CPC announced that it had begun the sales process for the Lakeview plants.
- Cornerstone Lake has been selected and an agreement of purchase signed.
- Closing is subject to certain conditions precedent, including new shareholder agreements with CE shareholders and the purchaser to exercise dedicated pressure to keep the plants operating.
- CE anticipates to provide the fiscal stage for the Lakeview lands will be achieved if not exceeded.
- The proposed Trust closing date of March 30, 2018 has been accepted by the purchaser.

Trillium Trust Grant-plan Update

- The legislation to allow for the distribution to the Trillium Trust of designated Provincial Grant-in-Lieu payments received by the Province from the Federal Government has received Royal Assent.
- Following the distribution to the Trillium Trust, the Province/Stakeholder Inc. will be required to pay these designated proceeds into the Consolidated Revenue Fund (CRF).
- The Province of Trillium Growth (POG) staff to move forward with the payments relating to senior title work.
- Following payment, the Trillium Trust will be credited with $10BM bringing the total amounts credited to the TT to value $5.6 billion.

- Additionally, the Ministry of Energy will cover authorization deactivation and reactivation fees for the remaining 2022 cycle, as applicable, and reimburse any of the remaining banks currently relying heavily on fossil-to-bank accounts.
  - Ministry of Energy officials will cover the fees for the remaining banks.
  - GRFC staff have recommended that a small buffer of cents (about $2,500) will be held back in the Brampton Hobbs to cover potential expenses.

[redacted]

U-ENGR-ISSUES

- ~~Ag Liaison Program for E-ramp/Retrofit Projects at Colleges and Universities~~
- MAECO-MAECO received Treasury Board approval on July 19th on a $500M loan program through the CRA to finance energy retrofit projects at colleges and universities.
  - MAECO has been asked to provide a comfort letter signed by its Minister confirming the organization's eligibility to participate in the program and the interest payments. The comfort letter has been drafted as well as an MOU between MAECO and CRA outlining duties and responsibilities for these loans, which is currently under review by CRA.
- MAECO will be requesting an ITA to a 30 class exemption specific to this program as the current proposed exemption is not financially attractive amounts set out in the current proposed exemption regulations.
  - MAETRO might have provided briefing memorandums to ecg Counsel.
  - Ministerial approval of the joint MAETRO, regulations is expected to be sought by the end of February, provided that ecg Counsel is able to complete the drafting of the regulations.

ALL ~~_____~~ MCSC – ICBA approval of all grades and width if allowed Farmers

- ~~Ag Liaison Program for E-ramp/Retrofit Projects at Colleges and Universities~~
- ~~Ag Liaison Program for Agricultural Waste Conversion~~ Ag Liaison Program for Agricultural Waste Conversion

From: Francisco Chinchon
To: Ronald Kwan
Cc: Usman Zahid; Darren Scanlan
Subject: RE: Mo Bi-Weekly Agenda
Date: Tuesday, October 24, 2017 11:56:16 AM
Attachments: Annotated Agenda MO Bi-Weekly Oct 24 2017_Markup3.docx

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Hi,

We accepted the changes and added the additional topics.

Thanks,

Francisco

From: Ronald Kwan
Sent: Monday, October 23, 2017 5:58 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi,

Some suggestions on the attached.

Ron

From: Usman Zahid
Sent: October-23-17 11:25
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly.

Karim has said that they do not have any significant updates, but they have updated language where appropriate. Not sure if you want to update MO again.

Additionally John has included language on the Hydro One OEB rate decision. As MO was updated on this during the last meeting, not sure if you would want to update again.

Regards,
Usman

STATIC TRACTS - & ASSET OPTIMISATION INITIATIVES- ISSUES

1. Exception to Rail Lines
2. Airport Link Rights
3. **BTEX Co-with Facility**
- Treasury has approved the deadline the BTEX credit facility for $2 billion for the implementation of the Rail Tunnel Plan.
  - The existing $75 million facility is currently more than [redacted]
  - Once the $2 billion facility is facility is put in place, the $75 million facility is to be cancelled by Treasury.
- Pursuant to the GSL Lending Policy, the GSL is required to terminate an intercept provision in respect of loans made by the GSL to public bodies on an unsecured basis, unless otherwise approved by the Minister of Finance (or Treasury Board or Cabinet).
- Part the requirements of the GSL Lending Policy, the GSL has reached out to the Treasury with query, and ETA to fulfill the requirement to consider an intercept [redacted] [redacted]
- [redacted]
  - BTEX responded that it would need to share the request with EFG, which has private sector, of any losses from the BTEX-to-the-RVF financing entity, in order to [redacted]

[redacted]

Should the Province enter into the Loan Agreement?

- Under the terms of the Loan Agreement, the Province will provide a loan to the CVC in the amount of $10.5 million to assist the CVC with the acquisition of lands and the construction of flood control infrastructure in the Central Valley.
- The loan will be repaid by the CVC over a period of 10 years, with an interest rate of 3.5%.
- The CVC has agreed to use the loan proceeds only for the purposes specified in the Loan Agreement.
- The Province has the right to inspect the CVC's books and records to ensure that the loan proceeds are being used for the intended purposes.
- The Province has the right to demand repayment of the loan if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Guarantee Agreement?

- The Province has agreed to guarantee the repayment of the loan by the CVC to the lender, which is the Central Valley Bank.
- The Province's guarantee is limited to the amount of the loan, plus any interest and fees that may be owed by the CVC.
- The Province has the right to demand repayment of the loan from the CVC if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Security Agreement?

- The Province has agreed to take a security interest in the CVC's assets to secure the repayment of the loan.
- The security interest will be in the form of a first charge on the CVC's assets, which means that the Province will have the first right to repay the loan if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Subordination Agreement?

- The Province has agreed to subordinate its security interest in the CVC's assets to the security interest of the lender, which is the Central Valley Bank.
- This means that the lender will have the first right to repay the loan if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to demand repayment of the loan from the CVC if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Intercreditor Agreement?

- The Province has agreed to enter into an intercreditor agreement with the lender, which is the Central Valley Bank.
- The intercreditor agreement will set out the rights and obligations of the Province and the lender in relation to the CVC's assets.
- The intercreditor agreement will provide that the Province will have the first right to repay the loan if the CVC defaults on its obligations under the Loan Agreement.
- The intercreditor agreement will provide that the lender will have the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The intercreditor agreement will provide that the lender will have the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Assignment of Rents and Leases?

- The Province has agreed to take an assignment of rents and leases from the CVC.
- This means that the Province will have the right to collect rents from the CVC's tenants if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Environmental Indemnity Agreement?

- The Province has agreed to indemnify the CVC for any environmental liabilities that may arise from the CVC's operations.
- This means that the Province will be responsible for any costs that the CVC incurs as a result of environmental contamination.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Insurance Assignment?

- The Province has agreed to take an assignment of insurance policies from the CVC.
- This means that the Province will have the right to collect insurance proceeds if the CVC suffers a loss.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Power of Attorney?

- The Province has agreed to take a power of attorney from the CVC.
- This means that the Province will have the right to act on behalf of the CVC in certain circumstances.
- The Province has the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Pledge Agreement?

- The Province has agreed to take a pledge of the CVC's assets.
- This means that the Province will have the right to take possession of the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.
- The Province has the right to sell the CVC's assets if the CVC defaults on its obligations under the Loan Agreement.

Should the Province enter into the Guarantee Agreement?

- The Province has agreed to guarantee the repayment of the loan by the CVC to the lender, which is the Central Valley Bank.
- The Province's guarantee is limited to the amount of the loan, plus any interest and fees that may be owed by the CVC.
- The Province has the right to demand repayment of the loan from the CVC

- This draft letter has been shared with El Hajraj at a staff lunch on Oct 12 and to date there has been no response.

[illegible] Limestone Lake Fire Station (CLFS) Meeting Progress

- [illegible]
- [illegible]

[illegible] Lakeview Quarry Land Purchase Negotiations

- LQ CE staff have submitted an update on the sale of the Lakeview lands as part of a [illegible] to the Limestone Lake Fire Station (CLFS) meeting progress to the Lakeview lands.
  - Lakeview Quarry (LQ) CE staff have submitted an update on the sale of the Lakeview lands as part of a [illegible] to the Limestone Lake Fire Station (CLFS) meeting progress to the Lakeview lands.
  - The [illegible] CFO commenced that it had begun the sales process for the Lakeview lands.
  - A preferred bid has been selected and an agreement of purchase signed. The [illegible] is expecting to receive the deposit cheque within the next week. It is, however, this price remains subject to negotiation following due diligence, with El expecting the purchaser to exercise decreased pressure once the site due diligence is complete.
  - El remains confident that the fiscal target for the Lakeview lands will be achieved if not exceeded.
  - The proposed closing date of March 30, 2026 has been accepted by the purchaser.

[illegible] William Street Brampton Update

- The response to delay for the modification to the 100wm Town of designated [illegible] of about $US80M from the sale of Fujitsu Brampton and Next on William.
  - With the filing of the regulation, Brampton Hydro Distribution Inc. will be required to pay these designated proceeds into the Consolidated Revenue Fund (CRF).
  - The CRF is the Province's general account that receives most of the payments relating to owner Wm-a-tab.
  - Brampton Hydro Distribution Town Trust still has dividends of $10MM ranging the total amounts credited to the TT to about $5.4 billion.
- Additionally, the Minister of Energy will issue a shareholder declaration and resolution to direct that Brampton Hydro Distribution Inc. is directed to the Province for the [illegible] of about $US80M from the sale of Fujitsu Brampton and Next on William.
  - The dividend is authorized at about $US75M, that is subject to change.
  - GBPD staff have recommended that a small tranche of funds (about $US4M) will be held back in the Brampton Hydro to cover potential expenses.

U-TRUST-ISOLATE

- [illegible] Project To Leverage Real-World Physical, and Colleges and Universities
- MAGTCO-MAGTC received Treasury Board approval on July 15th of a $30MM loan to be repaid through the CRU in finance energy retrofit projects at colleges and universities.
  - MAGTCO has been asked to provide a comfort letter signed by its Minister indicating the government's support for the project and the loan from other interest payments. The comfort letter has been drafted as well as an MOU between MAGTCO and CRU outlining duties and responsibilities for these loans, which is also in the process of being drafted.
- MAGTCO will be requesting an 18 to 24 date exemption specific to this program as the current proposed timelines potentially breach limit amounts set out in the current proposed exemption regulations.
  - MoF/TBS might have provided liability transactions re-org Counsel.
  - Ministerial approval of the joint MOT/TBS regulations is expected to be sought by the end of February, provided that Legal Services's ability to complete the wording of the regulations.

[illegible] MCSC – ILSA approval of all grades and solid if advanced Farmers

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- MAGTCO will be requesting an 18 to 24 date exemption specific to this program as the current proposed timelines potentially breach limit amounts set out in the current proposed exemption regulations.
  - MoF/TBS might have provided liability transactions re-org Counsel.
  - Ministerial approval of the joint MOT/TBS regulations is expected to be sought by the end of February, provided that Legal Services's ability to complete the wording of the regulations.

[illegible] MCSC – ILSA approval all grades and solid if advanced Farmers

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From: Ronald Kwan
To: Francisco Chinchon; John Kim
Cc: Usman Zahid
Subject: RE: Mo Bi-Weekly Agenda
Date: Monday, October 23, 2017 5:58:17 PM
Attachments: Annotated Agenda MO Bi-Weekly Oct 24 2017_Markup.docx

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Hi,

Some suggestions on the attached.

Ron

From: Usman Zahid
Sent: October-23-17 11:25
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly.

Karim has said that they do not have any significant updates, but they have updated language where appropriate. Not sure if you want to update MO again.

Additionally John has included language on the Hydro One OEB rate decision. As MO was updated on this during the last meeting, not sure if you would want to update again.

Regards,
Usman

STATIC TRACTS - & ASSET OPTIMISATION INITIATIVES- ISSUES

1. Exception to Rail Lines
2. Airport Link Rights
3. **BTEX Co-with Facility**
- Treasury has approved the deadline the BTEX credit facility for $2 billion for the implementation of the Rail Tunnel Plan.
  - The existing $75 million facility is currently more than [redacted]
  - Once the $2 billion facility is facility is put in place, the $75 million facility is to be cancelled by Treasury.
- Pursuant to the GSL Lending Policy, the GSL is required to terminate an intercept provision in respect of loans made by the GSL to public bodies on an unsecured basis, unless otherwise approved by the Minister of Finance (or Treasury Board or Cabinet).
- Part the requirements of the GSL Lending Policy, the GSL has reached out to the Treasury with query, and ETA to fulfill the requirement to consider an intercept [redacted] [redacted]
- [redacted]
  - BTEX responded that it would need to share the request with EFG, which has private sector, of any losses from the BTEX-to-the-RVF financing entity, in order to [redacted]

[redacted]

[redacted]

- Some of these PPAs' benefits will expire in 2025 (NF Lucerne, 4 Imperials) and then priority must rewade, all existing IETCS facilities (including facilities with TD, ADS, and PPAs) will be required to pay the GRS levy.
  - Total Power commitments to IETCS will total a little over $50 million. Some increased GHGs be required as the GRS would result in costs priority of payments leaves to DPCs.

[redacted]

[redacted]

[redacted]

Report of the ONF on Current NGOs

- [redacted]
- [redacted]
- [redacted]

U-TRUST-ISOLATE

- MAGTECH Program Sol-T ramp-fleet-drill-rigture, at-Colleges-and-Universities
- MAGTECH-MAGTEC received Treasury Board approval on July 15th of a $300M loan-guarantee through the CDC to finance energy retrofit projects at colleges and universities.
  - MAGTECH has been asked to provide a certified letter signed by its Minister confirming the organization's intent to repay the loan and the applicable interest payments. The certified letter has been drafted as well as an MOU between MAGTEC and CDC outlining duties and responsibilities for these loans, which is currently awaiting signatures.
- MAGTECH will be requesting an 18-to-1.99-share exemption specific to this program as the current proposed exemption regulations would limit amounts we can to the current proposed exemption regulations.
  - MAGTEC-tagger have provided liability transactions to-o-g Counsel.
  - Ministerial approval of the joint MAGTEC regulation is expected to be sought by the Minister of Finance, provided that Legislature's ability to complete the reading of the regulations.

Pre-Launch — MCSC – CLEA approval of all grades and solid-f plateau-f-f-arters

- MAGTECH-MAGTEC received approval from the Canadian Securities Commission (CSC) for an agreement-in-principle to issue CAD $50 in -insurance-to-qualify investors in order to finance the construction of a new facility for the production and preparation of mechanical-blasting materials for Fabtaborn.
  - Fabtaborn is a subsidiary of Fabtaborn Mining Corporation, a Canadian publicly traded company (TSX-V: FAB) with a market capitalization of approximately $[illegible] million.
  - There is no active release planned for October 24th – FY-2-to assets.
  - Fabtaborn's [illegible] [illegible] [illegible]

From: Usman Zahid
To: Ronald Kwan
Subject: RE: Mo Bi-Weekly Agenda
Date: Thursday, October 12, 2017 2:45:07 PM
Attachments: Annotated Agenda_MO Bi-Weekly Oct 12 2017_v2 OCC.DOCX

Hi Ron,

Francisco has provided some bullets for Lakeview and Garth has provided bullets on OCC. I did mention to John that you also added a heading for the H1 OEB rate decision.

Regards,
Usman

From: Ronald Kwan
Sent: Thursday, October 12, 2017 11:49 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Cc: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: Re: Mo Bi-Weekly Agenda

Hi Usman,

How about this? I added back in the IESO facility item, but made changes to it to make it more current.

I also added in the OCC Loan to the list, to give the MO a verbal update.

Ron

From: Usman Zahid
Sent: October 12, 2017 10:38 AM
To: Ronald Kwan
Subject: RE: Mo Bi-Weekly Agenda

Hi Ron,

Attached is an updated markup.

Regards,
Usman

From: Ronald Kwan
Sent: Thursday, October 12, 2017 1:19 AM

To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi Usman,

Some markups, as attached.

Ron

From: Usman Zahid
Sent: October-10-17 5:57 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly. John has said that he is okay if we choose not to include the credit facility item.

Regards,
Usman

ANNOTATED AGENDA
OPG APPLICATION - October 11, 2017

STAFF TRACTY TO ASSIST OPTIMIZATION REVISED 2017/10/05

1. OPG Financial Guarantee CNSC Hearing

- Under debate on the public hearing:

Decision

- Canadian Nuclear Safety Commission (CNSC) held a public hearing on October 11th in Ottawa regarding OPG's proposal (Item 2 – 2017 Financial guarantee to the CNSC)
- Staff's recommendation presents arguments that EPC provide the CNSC with a financial guarantee to cover its nuclear decommissioning (including waste management) liabilities.
  - Under CNSc, MoF motion argues to support OPGs financial guarantee requirement to the CNSC
  - To date, the financial guarantee has been established by an agreement to segregate funds in the Nuclear Fund, a trust fund for decommissioning, and a direct financial guarantee agreement to the CNSC.

- The value of the segregated funds are currently sufficient to cover OPGs decommissioning liabilities associated with the Pickering NGS, Darlington NGS and DGNPD, so called 'the financial guarantee requirement relies solely on the value of the funds, without the requirement for a direct Provincial guarantee to the CNSC.

2. IESO Credit Facility

- Staff are working to finalize the IESO's credit facility for $2 billion for the construction of the Darlington NGS.
  - The existing $0.75 million facility is currently more than $600 million drawn.
  - Once the $2 billion facility is ready to put in place, the $0.75 million facility is to be terminated.
- Pursuant to the IESO Lending Policy, the CNL is required to include an intercept provision in respect of loans made by the IESO to public bodies on an unsecured basis. The intercept provision is to be included in the Darlington NGS Project Cabinet.
- Under the provisions of the IESO Lending Policy, the CNL has reached out to the ministry with range, and IESO to fulfill the requirements to include an intercept provision in respect of loans made by the IESO to CNL.
  - IESO requested that it would need to share the revenue with OPG, which has receipts streams of payments from the IESO for the PWF financing entity, in order to mitigate the default financing.

- While staff time for bridging (ESC) currently has amounts appropriated (to fund the negotiations, the ESC has also asked for the transfer of Shortfall to include a provision for the Bridging Agreement, which is not currently appropriated for. This later funding and CPC seeking priority of payment may have an impact on the ESC seeking pro rata/overall premium as part of the credit facility for the BTCU.

3. In part of the OSP on Can-Am-NUs.

- Ministry officials have developed a recommended policy position and as that view (payable under the ESC) remains are unaffected by the deferral of a portion of the Bridging Agreement. Ministry officials are currently working on the Bridging Agreement.
- Ministry officials have drafted a potential letter from the Minister of Energy to the Minister of Energy to that would provide support for a drawing from the Ministry of Finance on CIF 10. In allow for discussions with affected Bodies on the potential drawing from the Ministry of Finance on CIF 10. In addition, if there is the reasons affected by the parties.
  - A potential letter from the Minister of Energy to a staff level.
  - A potential alternative that the Ministry of Energy may raise to a Minister of Finance to seek approval for the Ministry seeking a sign-back concurrence at the creditworthiness of the utility's return.

4. Commerce Lake First Nation (CLFN) Meeting Request

- In response letter, dated September 14, 2017, was sent to the Chief of CLFN proposing a meeting with the Deputy Minister.
- Meeting no hearing pending / TBD.

5. Wabigchamjay Power 'LP' – Federal E cert Sealant

- Federal Environmental Assessment Agency (FEAA) has been signed of Environmental Assessment Agency on the Wabigchamjay Power Plant ("Project") to be licensed with supply, section 46(4) and, as proposed by E-nergy, a Project will be the Project Agreement between E-nergy and the federal government. This financing revenues and potential federal contribution to currency and the Project Agreement between E-nergy and the federal government.
- As of September 24 meeting, E-nergy and its negotiator presented to PO and CO its position on Provincial cert sealant.
- E-nergy has not formally had further communications with the federal negotiator until a mediator at conditional 'set' at a cash term sheet and BCC.
- Ongoing.

6. Interest, Rent Income and Hiring

- Potential Court Injunction

7. Pyall school (SER: Trainee Acorn Rank Eradicate

- Potential Flood Impacts

c) Brief details

- Loan Program for Energy Retrofit Projects at Colleges and Universities

- MASCO-MAEDC received Treasury Board approval on July 27th of a $30MM loan program through the OIC to finance energy retrofit projects at colleges and universities.
  - Ms. Wynne has been advised to provide a comfort letter signed by the Minister indicating MAESD's commitment to maintaining this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and MAEDC, and is awaiting signature by the Minister's Chief of Staff.
- MAESD is also in discussions with MAEDC to determine benefits to the program as some of the projects will exceed the materiality threshold amounts set out in the Broader Public Sector Investment Act.
  - MoF/TBS legal are currently preparing drafting instructions for Legal Counsel.
  - Ministerial approval of the planned OIC/TBS regulation is expected to be sought by the end of October, provided that Legal Counsel is able to complete the drafting of the regulation.

5. Ottawa Convention Centre (OCC)- EIB Loan

- The OCC has an outstanding loan with the EIB, the original balance of which was $51.7M. The loan is repaid in semi-annual blended principal and interest payments of $2.5M each. The loan matures on December 15, 2020.
- As part of the Province's 2011 announcement that the Province would help to keep the convention centre operating viably, the Province agreed to pay the semi-annual loan payments on behalf of the OCC.
- Ottawa and the OCC have advised that they have since come up with another solution to keep the convention centre operating viably, which does not require the Province to pay the EIB loan payments on behalf of the OCC.
  - The OCC has advised that it has made arrangements that, in addition to its own funds, it will use funds from the City of Ottawa to make the EIB loan payments.
  - As a condition of the City providing funds to the OCC, the City has required that the OCC enter into a lease agreement with the City for the convention centre.
- Ottawa has also advised that the OCC has made arrangements to refinance the EIB loan with a Canadian financial institution.
  - [redacted]
  - [redacted]
  - [redacted]

From: John Kim
To: Ronald Kwan
Cc: Usman Zahid
Subject: RE: Mo Bi-Weekly Agenda
Date: Thursday, October 12, 2017 1:24:38 PM

Hi Ron,

Was this raised by Michael Boll in the context of the IESO facility specifically? My understanding is that it is an MOECC initiative and not IESO's lead Ministry.

I will try to alleviate this by indicating as such.

John

From: Ronald Kwan
Sent: Thursday, October 12, 2017 11:59 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: Re: Mo Bi-Weekly Agenda

Hi John,

Steen conveyed that prior to this morning's rate mitigation meeting. However, Michael Boll raised the Green ON Fund funding during the meeting, so it seemed that there needed to be some revisiting of the issue. Would you reach out to Energy staff and the IESO on that, as we need to resolve this. And to Sarah Neville on the treatment of the GGRA funding to the IESO for OFA intercept policy purposes.

Thanks,
Ron

From: John Kim
Sent: October 12, 2017 11:52 AM
To: Ronald Kwan; Usman Zahid
Cc: Francisco Chinchon; Mara Bakic; Emily Kerr
Subject: RE: Mo Bi-Weekly Agenda

Hi Ron,

FYI, Energy is ready to sign and it will be Steen.

So IESO is the only side pending.

John

From: Ronald Kwan
Sent: Thursday, October 12, 2017 11:49 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Cc: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: Re: Mo Bi-Weekly Agenda

Hi Usman,

How about this? I added back in the IESO facility item, but made changes to it to make it more current.

I also added in the OCC Loan to the list, to give the MO a verbal update.

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Sent: October 12, 2017 10:38 AM
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Subject: RE: Mo Bi-Weekly Agenda

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Attached is an updated markup.

Regards,
Usman

From: Ronald Kwan
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Usman

From: Usman Zahid
To: Ronald Kwan
Subject: RE: Mo Bi-Weekly Agenda
Date: Thursday, October 12, 2017 10:38:23 AM
Attachments: MO Bi-Weekly Oct 12 2017_Markup2.docx

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STATIC TRACTS 'A- ASSET OPTIMISATION REVALUED: ISSUES

1. [illegible] Council of Local Lands – [illegible] Analysis

2. [illegible] Asset Optimisation Plan

   a. [illegible] Asset Optimisation Plan [illegible] [illegible] [illegible]

- Chiefs noted that [illegible] with the Crown that recognized Aboriginal rights to hunting, fishing and trapping on their traditional territories, and that the Crown had a duty to consult with them before authorizing activities that could infringe on those rights. Chiefs also noted that the Crown had a duty to accommodate Aboriginal rights where appropriate.
- Chiefs noted that [illegible] Treaty 3 [illegible] Treaty 3 [illegible] Chiefs noted that the Crown's duty to consult and accommodate Aboriginal rights was not limited to Treaty rights, but also applied to Aboriginal rights that were not covered by treaties.
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[illegible] Consumers' Lake Fire Hunter (CLFN) Meeting Request

- Chiefs noted that [illegible] Consumers' Lake Fire Hunter (CLFN) had requested a meeting with the Deputy Minister.
- Chiefs noted that [illegible] Treaty 3.

[illegible] Winnipeg Power 'LP – Federal Lands Initiative

- Winnipeg Hydro Power LP is planning to develop and operate electrical generating facilities on federal lands in the province of Manitoba. The Project will be financed with equity, senior debt and, as proposed, [illegible] Provincial loan to be supported by a possible contribution from the federal government. The Project is currently undergoing a federal environmental assessment review discussions between the provincial and federal governments.
- Chiefs noted that [illegible] Convention 12 regarding Aboriginal rights, and its implication with respect to the Treaty 3 [illegible] Treaty 3 [illegible] Treaty 3 [illegible]

12 RULES ISSUED

- **Loan Program for IT-savvy Rural LGUs, at Colleges and Universities**
- NADC-EO 64’20 and local Treasury Board approval on July 23rd of a ₱250M loan program through the DRC to finance energy retrofit projects at colleges and universities.
  - Interest has been advised to provide a comfort letter-signed by its Minister indicating MoEDTI's commitment to backstop this loan program and to cover unpaid principal. The comfort letter has been drafted, including an MOU between MoEDTI and the DRC, and is now undergoing review by the Attorney General's Office. Now considered as NADC-EO 64’20 and

From: Ronald Kwan
To: Usman Zahid
Subject: RE: Mo Bi-Weekly Agenda
Date: Thursday, October 12, 2017 8:00:21 AM
Attachments: MO Bi-Weekly Oct 12 2017_Markup.docx

Hi Usman,

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Ron

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Sent: October-10-17 5:57 PM
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Subject: Mo Bi-Weekly Agenda

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Usman

STATIC TRACTS 'A' ASSET OPTIMISATION INITIATIVES ISSUES

1. [illegible] Council of Trust orders - [illegible] Analysis

2. [illegible] Asset Optimisation Initiatives

   a. [illegible] Asset Optimisation Initiatives [illegible] [illegible] [illegible]

- [redacted]
- [redacted]

Tue Consumers Lake First Nation (CLFN) Meeting Request

- Madeline Klein, dated September 24, 2021, was sent to Brad Dahl of CLFN requesting a meeting with the Deputy Minister.
- [redacted]

Wed Strategy Meeting w/ Power, LP – Federal EC and Methane

- Environment and Climate Change Canada (ECCC) has been engaging with Powerhouse Hydroelectric Power on development of their Lone Pine #2 Project. The Project is a proposed 200 MW hydroelectric generating station in the province. Provincial loan to be supported by a possible contribution from the federal government. ECCC is seeking advice on how to engage Indigenous communities, other discussion between the provincial and federal governments.
- [redacted] September 22 meeting [redacted] Hydro, and its Aquaculture Division, with [redacted] Minister of Fisheries and Oceans Canada [redacted]
- [redacted]

12 RHODE ISLAND

- Rhode Island Port Authority and Economic Development Corporation (RIPEDC) applied for $7.4 million from the Treasury's State Small Business Credit Initiative (SSBCI) program to support the Quonset Development Corporation (QDC) in its efforts to develop a 600-acre offshore wind marshalling port in Quonset, Rhode Island. The project is expected to leverage $1.4 billion in private investment and create 1,200 jobs. The application was submitted on December 23, 2021, and is under review by the Treasury.
- Rhode Island Commerce Corporation (RICC) applied for $5.0 million from the SSBCI program to support the Rhode Island Small Business Loan Fund Program (SBLF). The SBLF provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.
- Rhode Island Commerce Corporation (RICC) applied for $5.0 million from the SSBCI program to support the Rhode Island Small Business Credit Enhancement Fund (SBCEF). The SBCEF provides credit enhancements to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

13 SOUTH CAROLINA

- The South Carolina Department of Commerce (SCDOC) applied for $10.0 million from the SSBCI program to support the South Carolina Small Business Credit Initiative (SCSBCI). The SCSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

14 SOUTH DAKOTA

- The South Dakota Department of Tribal Relations (SDDTR) applied for $10.0 million from the SSBCI program to support the South Dakota Tribal Business Development Program (SDTBDP). The SDTBDP provides loans to tribal businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

15 TENNESSEE

- The Tennessee Department of Economic and Community Development (TDECD) applied for $10.0 million from the SSBCI program to support the Tennessee Small Business Credit Initiative (TSBCI). The TSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

16 TEXAS

- The Texas Department of Agriculture (TDA) applied for $10.0 million from the SSBCI program to support the Texas Small Business Credit Initiative (TSBCI). The TSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

17 UTAH

- The Utah Department of Commerce (UDOC) applied for $10.0 million from the SSBCI program to support the Utah Small Business Credit Initiative (USBCI). The USBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

18 VERMONT

- The Vermont Department of Economic Development (VDED) applied for $10.0 million from the SSBCI program to support the Vermont Small Business Credit Initiative (VSBCI). The VSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

19 VIRGINIA

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20 WASHINGTON

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- The Oregon Department of Agriculture (ODA) applied for $10.0 million from the SSBCI program to support the Oregon Small Business Credit Initiative (OSBCI). The OSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

113 SOUTH CAROLINA

- The South Carolina Department of Commerce (SCDOC) applied for $10.0 million from the SSBCI program to support the South Carolina Small Business Credit Initiative (SCSBCI). The SCSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

114 SOUTH DAKOTA

- The South Dakota Department of Tribal Relations (SDDTR) applied for $10.0 million from the SSBCI program to support the South Dakota Tribal Business Development Program (SDTBDP). The SDTBDP provides loans to tribal businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

115 TENNESSEE

- The Tennessee Department of Economic and Community Development (TDECD) applied for $10.0 million from the SSBCI program to support the Tennessee Small Business Credit Initiative (TSBCI). The TSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

116 TEXAS

- The Texas Department of Agriculture (TDA) applied for $10.0 million from the SSBCI program to support the Texas Small Business Credit Initiative (TSBCI). The TSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

117 UTAH

- The Utah Department of Commerce (UDOC) applied for $10.0 million from the SSBCI program to support the Utah Small Business Credit Initiative (USBCI). The USBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

118 VERMONT

- The Vermont Department of Economic Development (VDED) applied for $10.0 million from the SSBCI program to support the Vermont Small Business Credit Initiative (VSBCI). The VSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

119 VIRGINIA

- The Virginia Department of Agriculture and Consumer Services (VDACS) applied for $10.0 million from the SSBCI program to support the Virginia Small Business Credit Initiative (VSBCI). The VSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

120 WASHINGTON

- The Washington State Department of Commerce (WSDOC) applied for $10.0 million from the SSBCI program to support the Washington Small Business Credit Initiative (WSBCI). The WSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

121 WEST VIRGINIA

- The West Virginia Department of Commerce (WVDOC) applied for $10.0 million from the SSBCI program to support the West Virginia Small Business Credit Initiative (WVSBCI). The WVSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

122 WISCONSIN

- The Wisconsin Department of Agriculture, Trade and Consumer Protection (WDATCP) applied for $10.0 million from the SSBCI program to support the Wisconsin Small Business Credit Initiative (WSBCI). The WSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

123 WYOMING

- The Wyoming Business Council (WBC) applied for $10.0 million from the SSBCI program to support the Wyoming Small Business Credit Initiative (WSBCI). The WSBCI provides loans to small businesses that have been unable to secure financing from traditional lenders. The application was submitted on December 23, 2021, and is under review by the Treasury.

124 DISTRICT OF COLUMBIA

- The District of Columbia Department of Small and Local Business Development (DSLBD) applied for $10.0 million from the SSBCI program to support the District

From:	Usman Zahid
To:	Ronald Kwan
Subject:	RE: Mo Bi-Weekly Agenda
Date:	Tuesday, October 24, 2017 12:34:17 PM
Attachments:	Annotated Agenda MO Bi-Weekly Oct 24 2017_v2.docx Annotated Agenda MO Bi-Weekly Oct 24 2017_Markup6.docx

Hi Ron,

Staff are okay with the edits. Just one small typo correction. I will print it off.

Regards,
Usman

From: Ronald Kwan
Sent: Tuesday, October 24, 2017 12:19 PM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi Usman,

As edited.

Ron

From: Usman Zahid
Sent: October-24-17 12:08
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the consolidated Mo Bi-Weekly Agenda.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: October 24, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Document Narrative

- OPCD provided feedback to CEFD that in the Fair Hydro Plan section, there needs to be more reference in the narrative about the repayment part of the plan.

2. IESO Credit Facility

- Staff are continuing to work to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $800 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $495 million.

- 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).

- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - Energy staff have indicated that the ministry (ADM-level) is prepared to sign the letter agreement authorizing the intercept provision, as required under the OFA Lending Policy (TBC).
    - IESO responded that it would need to share the request with OPG, which has sought priority of payments from the IESO for the FHP financing entity, in order to support its external financing. IESO has provided feedback on a draft letter on the intercept provision may be close to executing the steps required to put the intercept in place (TBC), possibly prior to conclusion of its discussion with OPG on this discussion.

- In the event that the IESO decides to grant OPG FE a priority of payments and first priority over assets, all existing IESO facilities [including facilities with TD, OFA and OEFC] would require the terms to be amended.
    - Staff have communicated to IESO staff that a Minister's Directive would likely be required as the OFA would need to cede priority of payments/assets to OPG.

3. OLG Lottery Terminals Loan / Intercept

- The OFA is currently drafting loan agreement to provide the Ontario Lottery and Gaming Corporation (OLG) up to $85.7 million to finance the replacement and expansion of OLG's lottery terminals and network (LT&N).
  - A Directive from the Minister of Finance to the OFA for the LT&N loan was signed by the Minister of Finance in July 2017.

- Under the OFA Lending Policy, the loan agreement, and all loans to the OLG, should contain an intercept provision.

- In order to be compliant with the OFA Lending Policy as it is currently written, either the loan agreement must include an intercept provision or an exemption from the requirement to include an intercept provision could be sought.
  - Including an intercept provision, as per the lending policy, will require additional approval from the Minister of Finance as it would be necessary for the Ministry of Finance to agree to the terms of the intercept provision.
  - Alternatively, the Minister of Finance could direct the OFA on an exemption from the requirement to include an intercept provision.

4. CNSC Access to Information Request

- In October 2017, the CNSC notified the Province that it received a request under the Access to Information Act to release the 2012 – 2017 Provincial Guarantee Agreement between the Province, as signed by the Minister of Finance, and CNSC.
  - The Agreement provides information regarding the current Provincial Guarantee of $1.551 billion and the CNSC's rights to call upon the guarantee.

- By fulfilling this request, the Provincial Guarantee Agreement will be publicly released.

- The staff is working towards drafting a response to fulfil this request before the CNSC's deadline of November 2, 2017, (and CNSC have requested a Provincial response ASAP in advance of that time).

5. Impact of the FHP on Certain NUGs

- Staff for OEFC have drafted a potential letter from the Minister of Energy to the Minister of Finance that would provide support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
  - This draft letter has been shared with Energy at a staff level on Oct 12 and to date there has been no response.

6. Constance Lake First Nation (CLFN) Meeting Request

- Meeting scheduling between the Chief and the Deputy is pending / TBD.
- CLFN has approached ENERGY seeking capacity funding for their advisor for discussions with OEFC/MOF.

- ENERGY has indicated that they are amenable to providing such funding, but is seeking MOF's input on such funding being provided.

7. Lakeview

- CEFD staff have submitted an update on the sale of the Lakeview lands as part of a quarterly Treasury Board report back on real estate transactions under asset optimisation.
  - On June 6, 2017, OPG announced that it had begun the sales process for the Lakeview lands.
  - A preferred bid has been selected and an agreement of purchase signed; however, the final price remains subject to negotiation following due diligence, with IO expecting the purchaser to exercise downward pressure once the site due diligence is completed.
  - IO remains confident that the fiscal target for the Lakeview lands will be achieved if not exceeded.
  - A proposed final closing date of March 30, 2018 has been accepted by the purchaser.

8. Trillium Trust: Brampton Update

- The regulation to allow for the dedication to the Trillium Trust of designated proceeds of about $108M from the sale of Hydro One Brampton was filed on October 20 and posted to e-laws by October 24.
  - With the filing of the regulation, Brampton Holdco Distribution Inc. will be required to pay these designated proceeds into the Consolidated Revenue Fund (CRF).
  - CEFD/OFA staff are working with GBED staff to move forward with the payment, tracking to occur this week.
  - Following payment, the Trillium Trust will be credited with $108M bringing the total amounts credited to the TT to about $5.4 billion.

- Additionally, the Minister of Energy will issue a shareholder declaration and resolution to direct the Brampton HoldCo to pay a dividend to the Province for the majority of the remaining funds currently being held in HoldCo's bank account.
  - The dividend is estimated at about $475M, but is subject to change.
  - GBED staff have communicated that a small buffer of funds (about $10M) will be held back in the Brampton Holdco to cover potential expenses.

9. Hydro One: OEB Transmission Rate Decision

Hydro One has filed a Motion to Review in which it is arguing against most of the OEB rulings.

OTHER ISSUES

10. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted as well as an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF/TBS legal have provided drafting instructions to Leg Counsel.
    - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

11. OCGC – S28 Approval of Agreement with Yaletown Partners

- MRIS Minister to seek Minister of Finance s 28 approval of the contingent liabilities contained in an agreement with Yaletown Partners re: cleantech equity investment.
- OFA working with MoF Legal in the review of the supporting documentation and preparation of ministerial briefing materials for Yaletown.
    - MRIS had requested Minister of Finance approval by October 23rd, when OCGC planned on executing the agreement. Timing is now later in the week.
    - There is a press release planned for October 26th – PO is aware.
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From: Ronald Kwan
To: John Kim; Bruno Amara
Cc: Deena Padamadan
Subject: RE: OFHP
Date: Friday, June 16, 2017 12:02:36 PM

Hi,

How's this coming along?

Ron

-----Original Message-----
From: Ronald Kwan
Sent: June-13-17 17:08
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: FW: OFHP

Hi,

Please review.

Thanks,
Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: June-13-17 16:27
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: OFHP

Hi Ron,

Please see the attached package of business issues for OFHP. We have also revamped the update note to shorten and simplify. We aren't sure whether we have the status right on these so hoping to get your perspectives.

Thanks,
Scott

Sent with BlackBerry Work
(www.blackberry.com)

From: Ronald Kwan
To: Scott Nelms (ENERGY)
Subject: RE: OFHP
Date: Tuesday, June 13, 2017 5:33:37 PM

Hi Scott,

Sure.

Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: June-13-17 17:32
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: OFHP

No rush. Will table this next Thursday.

Sent with BlackBerry Work
(www.blackberry.com)

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Date: Tuesday, Jun 13, 2017, 5:09 PM
To: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca<mailto:Scott.Nelms@ontario.ca>>
Subject: RE: OFHP

Hi Scott,

I'll take a look. When do you need comments by?

Ron

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From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
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(www.blackberry.com<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.blackberry.com&d=DwIFAg&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=lYquIJJnqfxO5431Uw8ghWAHz6F3PkI2znI7RPACN08&m=8iOo77PkwRNpgTy9FJc7qtY05adaJPgVth-oBoY8IRc&s=cXJzXcUAfleP9u2dmDzcBr4wlW_Kfu5TN3IFwxpmwpI&e= >)

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From: Nelms, Scott (MOF)
To: Ronald Kwan
Subject: RE: OFHP
Date: Tuesday, June 13, 2017 5:31:35 PM

No rush. Will table this next Thursday.

Sent with BlackBerry Work
(www.blackberry.com)

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Date: Tuesday, Jun 13, 2017, 5:09 PM
To: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca<mailto:Scott.Nelms@ontario.ca>>
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This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Ronald Kwan
To: Scott Nelms (ENERGY)
Subject: RE: OFHP
Date: Tuesday, June 13, 2017 5:08:53 PM

Hi Scott,

I'll take a look. When do you need comments by?

Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: June-13-17 16:27
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Hi Ron,

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Thanks,
Scott

Sent with BlackBerry Work
(www.blackberry.com)

From: Hume, Steen (ENERGY)
To: Ronald Kwan
Cc: Scott Nelms (ENERGY); Carolyn Calwell (MCSS); Hilary Cox (ENE)
Subject: RE: OFHP
Date: Tuesday, May 09, 2017 9:10:01 AM

Hi Ron. Really? This is the first time this issue has been explicitly raised. Gadi didn't flag it last week in our weekly meeting on OFHP implementation, he just indicated to IESO that OFA would provide the new credit facility. Had we know in advance, might have been able to address it at TB today or LRC/Cabinet tomorrow.

Anyway, please send over the OIC from the previous OFA-IESO credit facility. Is this something OFA/ MOF leads or does ENERGY lead this work? Timing is a consideration on this.

Also, is it an OIC that is TB approved or LRC approved?

Thanks, Steen

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-09-17 8:56 AM
To: Hume, Steen (ENERGY)
Subject: RE: OFHP

Hi Steen,

Please note in your deck in the part on the IESO request for a facility from the OFA that an Order-in-Council would be needed to facilitate this new OFA-IESO credit facility.

Thanks,
Ron

From: Nelms, Scott (MOF)
To: Ronald Kwan
Subject: RE: OFHP
Date: Tuesday, May 02, 2017 12:26:52 PM

Sorry Ron I was hoping to get you comments this morning, but have been swamped.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May 2, 2017 12:16 PM
To: Hume, Steen (ENERGY)
Cc: Nelms, Scott (MOF); Cox, Hilary (ENERGY); He, Gavin (OFA)
Subject: Re: OFHP

Hi Steen,

See attached. Happy to discuss. Would you be able to share a copy of the revised deck.

Thanks,
Ron

From: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>
Sent: May 2, 2017 9:37:12 AM
To: Ronald Kwan
Cc: Scott Nelms (ENERGY); Hilary Cox (ENE)
Subject: RE: OFHP

Thanks Ron. That would be helpful.

Steen

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-02-17 9:36 AM
To: Hume, Steen (ENERGY)
Cc: Nelms, Scott (MOF); Cox, Hilary (ENERGY)
Subject: Re: OFHP

Hi Steen,

I had been waiting for comments, but barring that, I can see about sending a draft later this morning.

Ron

On May 2, 2017, at 9:32 AM, Hume, Steen (ENERGY) <Steen.Hume@ontario.ca> wrote:

> Good morning Ron. Last week before the Budget, we talked about OFA preparing some content for our TB submission, specifically around your

discussion with IESO re enhanced line of credit.

Do you have anything to pass along?

Thanks, Steen

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hume, Steen (ENERGY)
To:	Ronald Kwan
Cc:	Scott Nelms (ENERGY); Hilary Cox (ENE)
Subject:	RE: OFHP
Date:	Tuesday, May 02, 2017 9:37:22 AM

Thanks Ron. That would be helpful.

Steen

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-02-17 9:36 AM
To: Hume, Steen (ENERGY)
Cc: Nelms, Scott (MOF); Cox, Hilary (ENERGY)
Subject: Re: OFHP

Hi Steen,

I had been waiting for comments, but barring that, I can see about sending a draft later this morning.

Ron

On May 2, 2017, at 9:32 AM, Hume, Steen (ENERGY) <Steen.Hume@ontario.ca> wrote:

> Good morning Ron. Last week before the Budget, we talked about OFA preparing some content for our TB submission, specifically around your discussion with IESO re enhanced line of credit.
>
> Do you have anything to pass along?
>
> Thanks, Steen

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ronald Kwan
To:	John Kim
Cc:	Gavin He; Bruno Amara
Subject:	RE: OFHP - Outstanding business issues
Date:	Wednesday, May 31, 2017 1:34:14 PM

Just-in-time delivery.

Ron

From: John Kim
Sent: May-31-17 13:32
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Looks good to me. I think you meant that TPD has seen it per Scott's email to you and Sriram.

John

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Sent: Wednesday, May 31, 2017 1:30 PM
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Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

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Hi John,

Some suggestions, queries.

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To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: OFHP - Outstanding business issues

Hi Ron,

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Hi Kaitlin,

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From:	John Kim
To:	Ronald Kwan
Cc:	Gavin He; Bruno Amara
Subject:	RE: OFHP - Outstanding business issues
Date:	Wednesday, May 31, 2017 1:31:43 PM

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From:	Ronald Kwan
To:	John Kim
Cc:	Gavin He; Bruno Amara
Subject:	RE: OFHP - Outstanding business issues
Date:	Wednesday, May 31, 2017 1:29:37 PM
Attachments:	2017 05 31 Outstanding Business Issues Ontario Fair Hydro Plan - v02_Markup4.docx

How about this?

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To: John Kim <John.Kim@ofina.on.ca>
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Understanding Business Issues – All Hands Fact Finder Meeting Guide

Intended
Provides an overview of a flow of the key, interesting outstanding business issues, that OPG and the Province are working through

Worksheets Attached:

1. Transitioning Existing Hydroelectric Assets Framework to Maximize Value Proposition
   - As part of the OPRFP, the Province and successful Proponent will enter into a Transitioning Existing Hydroelectric Assets Framework to Maximize Value Proposition Agreement (the "Transitioning Agreement").
   - The Transitioning Agreement provides an extension to the Province's 50% interest in the Hydroelectric Facilities (the "Province's Interest") to the successful Proponent, subject to certain terms and conditions, including the Province's ability to exercise certain rights with respect to the Province's Interest.
   - The Province is considering regulatory changes to the Province's Interest to provide the Province with certain rights with respect to the Province's Interest, including the ability to direct the successful Proponent to sell the Province's Interest to a third party.
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   - As part of the OPRFP, the Transitioning Agreement will be a short-term project. The Province's Interest will be held by the successful Proponent for a period of approximately [redacted] years. The Province's Interest will be held by the successful Proponent for a period of approximately [redacted] years

- DWS will require equity injections on a monthly basis [illegible] to meet its financial commitments, which will require Variable Investors to issue shares on a monthly basis.
- The Alliance Partnership Agreement will need to be amended to [illegible] to support equity injections for the [illegible] and will continue to provide both pure Products and Cyan through DWS.
- **Next Steps**
  - The Authority of Hong Lithe and DWS are working through the short-term mechanics of this process, which will ultimately feed into a Member Resolution to be presented to the Board on [illegible].
  - [illegible] DWS will require the ability to issue equity in July, so mechanics will need to ensure this timeline is met.

Arrangement Fee

- Fees for the awarding of unopened services to the Trust as part of the DWS including planning, strategy, financing, restructure etc.
- Fees are based on the Trust's [illegible] and the Trust's progression for its Wave projects and underwrote the regulatory, which was a priority in development, [illegible] and the Trust's progression for its Wave projects and underwrote the Operator the interests of minimising costs and cutting processing, cost inhibitor requirements.
- **Next Steps**
  - DWS and DWS will bring forward a recommended Framework for determining investor rates.
  - [illegible] The Framework this Agreement being brought forward in June

Subscription/Investment Agreement

- DWS will fund the equity injections from the Proceeds to the Fort Pyle Trust by [illegible] Investment Agreement.
- Based on monthly funding requirements of the Alliance, the Trust will receive from financing and take out bonds once Joint Venture has been [illegible].
- DWS and the Trust are working on a debt issuance agreement and [illegible] Investment Agreement to be presented to the Board on [illegible].
- **Next Steps**
  - DWS and DWS will bring forward a recommended Framework for determining investor rates.
  - [illegible] TBD

[illegible] [illegible] [illegible] [illegible]

From: Ronald Kwan
To: John Kim
Cc: Gavin He; Bruno Amara
Subject: RE: OFHP - Outstanding business issues
Date: Wednesday, May 31, 2017 1:28:22 PM

Hi,

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To:	Ronald Kwan
Cc:	Gavin He; Bruno Amara
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Date:	Wednesday, May 31, 2017 1:27:55 PM

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Date:	Wednesday, May 31, 2017 1:13:27 PM
Attachments:	2017 05 31 Outstanding Business Issues Ontario Fair Hydro Plan - v02_Markup3.docx

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Understanding Business Issues – All Hands Fact Finder Meeting Agenda

Attendees
Provide an overview of a few of the key, interesting outstanding business issues, that APN and the Province are working through

Worksheet Attached

1. Transmission Planning Amendment Issue Overview (Jay Shaikh/Jay Shaikh/Jay Shaikh)
   - As part of the APPR, the Province and customers are negotiating several key issues that will be addressed in the Financing entity
2. Transmission Facilities Cost Recovery (Jay Shaikh/Jay Shaikh/Jay Shaikh)
   - Under the APPR, the Province and customers (in Ontario Power Generation Inc. (OPG), Hydro One Inc. (Hydro One), and Ontario Power Generation Inc. (OPG)) are negotiating several key issues that will be addressed in the Financing entity. The Province is committed to ensuring that the Financing entity is established in a way that is consistent with the principles of the APPR and that it is able to meet its obligations. The Province is also committed to ensuring that the Financing entity is established in a way that is consistent with the principles of the APPR and that it is able to meet its obligations.
   - Under the APPR, the Province and customers (in Ontario Power Generation Inc. (OPG), Hydro One Inc. (Hydro One), and Ontario Power Generation Inc. (OPG)) are negotiating several key issues that will be addressed in the Financing entity. The Province is committed to ensuring that the Financing entity is established in a way that is consistent with the principles of the APPR and that it is able to meet its obligations. The Province is also committed to ensuring that the Financing entity is established in a way that is consistent with the principles of the APPR and that it is able to meet its obligations.
   - OPG and APPR Issues (Jay Shaikh/Jay Shaikh/Jay Shaikh): We discussed some of the key issues that we are working through with OPG and the Province. We discussed some of the key issues that we are working through with OPG and the Province. We discussed some of the key issues that we are working through with OPG and the Province.
   - Hydro One and APPR Issues (Jay Shaikh/Jay Shaikh/Jay Shaikh): We discussed some of the key issues that we are working through with Hydro One and the Province. We discussed some of the key issues that we are working through with Hydro One and the Province. We discussed some of the key issues that we are working through with Hydro One and the Province.
3. Regulatory Issues of Some (Key) Importance
   - The Province and OPG are negotiating several key issues that will be addressed in the Financing entity. The Province is committed to ensuring that the Financing entity is established in a way that is consistent with the principles of the APPR and that it is able to meet its obligations. The Province is also committed to ensuring that the Financing entity is established in a way that is consistent with the principles of the APPR and that it is able to meet its obligations.
   - The Province is considering regulatory changes, for example, [illegible] the Ontario Energy Board Act, 1998 (the "Act") as a consequence of the Ontario Energy Board Act, 1998 (the "Act").
   - As part of the APPR, the Financing entity will issue debt and use it to pay "investment proceeds" to OPG. The Province and OPG are negotiating several key issues that will be addressed in the Financing entity. The Province is committed to ensuring that the Financing entity is established in a way that is consistent with the principles of the APPR and that it is able to meet its obligations. The Province is also committed to ensuring that the Financing entity is established in a way that is consistent with the principles of the APPR and that it is able to meet its obligations.
     - The Province and Finance, OPG and APPR are working together to [illegible] the Ontario Energy Board Act, 1998 (the "Act").
     - Finance: [illegible] Ontario Energy Board Act, 1998 (the "Act") as a consequence of the Ontario Energy Board Act, 1998 (the "Act").
4. Transmission Plan – Province's Key Policy Objectives and Issues (Jay Shaikh/Jay Shaikh/Jay Shaikh): Hydro Injection Philosophy

- DWS will require equity injections on a monthly basis [illegible] to meet its financial commitments, which will require Variable Investors to issue shares on a monthly basis.
- The Alliance Partnership Agreement will need to be amended to [illegible] to support equity injections for the [illegible] and will continue to provide both pure Products and Cyan through DWS.
- **Next Steps**
  - The Authority of Hong Lithe and DWS are working through the short-term mechanics of this process, which will ultimately feed into a Member Resolution to be presented to the Board on [illegible].
  - [illegible] DWS will require the ability to issue equity in July, so mechanics will need to ensure this timeline is met.

Arrangement Fee

- Fees for the awarding of unopened services to the Trust as part of the DWS including planning, strategy, financing, restructure etc.
- Fees are based on the Trust's [illegible] and the Trust's progression for its Wave projects and underwrote the regulatory, which was a priority in development, [illegible] and the Trust's progression for its Wave projects and underwrote the Operator the interests of minimising costs and cutting processing, cost inhibitor requirements.
- **Next Steps**
  - DWS and DWS will bring forward a recommended Framework for determining investor rates.
  - [illegible] The Framework this Agreement being brought forward in June

Subscription/Investment Agreement

- DWS will fund the equity injections from the Proceeds to the Fort Pyle Trust by [illegible] Investment Agreement.
- Based on monthly funding requirements of the Alliance, the Trust will receive from financing and take out bonds once Joint Venture has been [illegible].
- DWS and the Trust are working on a debt issuance agreement and [illegible] Investment Agreement to be presented to the Board on [illegible].
- **Next Steps**
  - DWS and DWS will bring forward a recommended Framework for determining investor rates.
  - [illegible] TBD

[illegible] [illegible] [illegible] [illegible]

From:	Ronald Kwan
To:	John Kim
Cc:	Gavin He; Bruno Amara
Subject:	RE: OFHP - Outstanding business issues
Date:	Wednesday, May 31, 2017 6:34:44 PM

Hi John,

Did you see if Kaitlin did a revised version?

Thanks,
Ron

From: John Kim
Sent: May-31-17 13:32
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Looks good to me. I think you meant that TPD has seen it per Scott's email to you and Sriram.

John

From: Ronald Kwan
Sent: Wednesday, May 31, 2017 1:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

How about this?

Ron

From: Ronald Kwan
Sent: May-31-17 13:28
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi,

You might want to adjust the PILs one.

Ron

From: John Kim

Sent: May-31-17 13:28
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Thanks Ron.

From: Ronald Kwan
Sent: Wednesday, May 31, 2017 1:13 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi John,

Some suggestions, queries.

Ron

From: John Kim
Sent: May-31-17 12:03
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: OFHP - Outstanding business issues

Hi Ron,

Pls. see attached. Not perfect but CMD staff added some sections as well.

John

From: John Kim
Sent: Wednesday, May 31, 2017 11:55 AM
To: 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi Kaitlin,

On a second thought, I know that Scott asked Ron for comments. Given that, might be best it goes through that channel?

I can share the material with Ron shortly.

John

From: John Kim
Sent: Wednesday, May 31, 2017 11:52 AM
To: 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Should be sending you shortly.

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, May 31, 2017 10:42 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi all – just checking in on comments. ENE DMO is looking for this by noon so if you're able to share any comments shortly I would greatly appreciate it.

This version just includes one more item based on the term sheet OPG shared yesterday but I was unsure about timing on that one.

Please let me know if you have any questions.
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: May 30, 2017 11:28 AM
To: Kim, John (OFA); Bruno Amara; Yep, Carlos (OFA)
Subject: OFHP - Outstanding business issues

Hi all,

ENE MO asked for a quick note on 4 of the outstanding business issues that are being worked through and are hoping to see something tomorrow morning.

I've pulled together a high level explanation of each of the items and next steps/timing (to the extent I know).

Would greatly appreciate if you guys could take a look and provide any edits/comments today/early tomorrow if possible. I'm also not too involved in a few of these discussions so if there's others within OFA you think should review feel free to pass along.

Thanks in advance,
Kaitlin

From: John Kim
To: Ronald Kwan; Bruno Amara
Cc: Deena Padamadan
Subject: RE: OFHP
Date: Friday, June 16, 2017 12:23:39 PM

Hi Ron,

We would note the timeline stated for the indemnities item of July. We have reached out to Energy Legal seeking status this morning and they have indicated that they have not heard from the IESO and OPG. We can offer to help out with other submission materials in the meantime but we sense and are mindful of MOF Legal's reluctance. [This could be just our read.] Keep in mind also that we have been pushing for the end of June timeline so if, for various reasons, the timeline has shifted to July, then we would be fine with it.

Bruno and team members are reviewing and will have comments to pass along on the performance piece this afternoon.

For the increased credit limit, we should be okay for the June 27th.

We would welcome any comments.

Thanks,

John

-----Original Message-----
From: Ronald Kwan
Sent: Friday, June 16, 2017 12:03 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: RE: OFHP

Hi,

How's this coming along?

Ron

-----Original Message-----
From: Ronald Kwan
Sent: June-13-17 17:08
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: FW: OFHP

Hi,

Please review.

Thanks,
Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: June-13-17 16:27

To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: OFHP

Hi Ron,

Please see the attached package of business issues for OFHP. We have also revamped the update note to shorten and simplify. We aren't sure whether we have the status right on these so hoping to get your perspectives.

Thanks,
Scott

Sent with BlackBerry Work
(www.blackberry.com)

From:	John Kim
To:	Ronald Kwan
Subject:	RE: OFHP Business Issues
Date:	Thursday, November 23, 2017 2:33:52 PM

So it might mean that he hasn't had contact on this for almost 3 weeks.

From: John Kim
Sent: Thursday, November 23, 2017 2:32 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: OFHP Business Issues

He is saying it's Kaitlin….I think that role moved to Steen's EA.

From: Ronald Kwan
Sent: Thursday, November 23, 2017 2:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hi,

It does, and was my understanding too, so was surprised about the LRC discussion this morning. Who in Steen's group is Tax working with?

Ron

From: John Kim
Sent: November-23-17 14:00
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: OFHP Business Issues

Fyi, does this answer your question?

From: Lewis, Robin (MOF) [mailto:Robin.Lewis@ontario.ca]
Sent: Thursday, November 23, 2017 1:59 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

John,

Sorry, this is a minister's reg. Not LRC.

Our issues are with the drafting by legislative counsel - the house's lawyers.

Regards,

Rob

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 23, 2017 1:56 PM
To: Lewis, Robin (MOF)
Subject: RE: OFHP Business Issues

Just saw an email about this….so this will be done through LRC and not Minister's reg? Could we get a draft submission?

John

From: John Kim
Sent: Thursday, November 23, 2017 1:46 PM
To: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: FW: OFHP Business Issues

Hi Rob,

Hope all is well.

Would you let me know what the status is on the PILs regulation as was discussed in one of these slides?

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, October 30, 2017 11:46 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Kuppuswami, Kritika (MOF) <Kritika.Kuppuswami@ontario.ca>
Subject: RE: OFHP Business Issues

Hi everyone,

This product was put on hold but we've now been asked to refresh it.

Could you please take a look and provide any comments midday tomorrow.

Hilary – I think you guys would lead slides 6/8 but please let me know if that's not the case.

Thanks in advance,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: September 29, 2017 1:27 PM
To: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>
Cc: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: OFHP Business Issues

Hi everyone,

We're pulling together a product summarizing all the outstanding business issues including status/next steps with respect to the Fair Hydro Plan for the Minister of Energy

I've attempted to fill out as much as possible (Hilary there's a couple placeholder slides where I had no content but I think those would be for ESP? Please correct me if I'm wrong).

Each of you are involved in various aspects of these issues so I'm hoping you can take a look to ensure we're accurately capturing each item.

I'm away next week but if you could provide your suggested edits to Keley by next Wednesday we would appreciate it. The briefing has not yet been set up so we will keep you posted if that timing needs to change.

Thanks in advance,
Kaitlin

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From:	Montgomery, Kaitlin (MOF)
To:	Ken Kandeepan
Cc:	Carlos Yep; Mike Manning; John Kim; John Psinas; Ronald Kwan
Subject:	RE: OFHP Business Issues
Date:	Thursday, August 03, 2017 10:06:19 AM

Hi – just looping back on this one.

Anyone know the status/next steps on the sub-debt agreement?

Thanks,
Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: July 12, 2017 5:00 PM
To: Montgomery, Kaitlin (MOF)
Cc: Yep, Carlos (OFA); Manning, Mike (OFA); Kim, John (OFA); John Psinas; Kwan, Ronald (OFA)
Subject: RE: OFHP Business Issues

Hi Kaitlin

Pls see below, cc'ing my colleagues in case they have anything to add.

Thanks

Ken k

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, July 12, 2017 10:53 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: OFHP Business Issues

Hey Ken – In Scotts absence I'm hoping you can help me with a couple items:

1. On the performance fees – Did Scott share an ENE note with 3 options for your review last week? No
2. On the Sub-Debt – could you share the latest term sheet and what is the status of this one? Is it over to OFA to provide comments back to OPG or are we waiting on OPG for something? To the best of my knowledge we didn't have any major issues with the latest term sheet.

Thanks and happy to chat if that's easier
Kaitlin
416.326.6343

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including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ken Kandeepan
To:	"Montgomery, Kaitlin (MOF)"
Cc:	Carlos Yep; Mike Manning; John Kim; John Psinas; Ronald Kwan
Subject:	RE: OFHP Business Issues
Date:	Wednesday, July 12, 2017 5:00:04 PM

Hi Kaitlin

Pls see below, cc'ing my colleagues in case they have anything to add.

Thanks

Ken k

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, July 12, 2017 10:53 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: OFHP Business Issues

Hey Ken – In Scotts absence I'm hoping you can help me with a couple items:

1. On the performance fees – Did Scott share an ENE note with 3 options for your review last week? No
2. On the Sub-Debt – could you share the latest term sheet and what is the status of this one? Is it over to OFA to provide comments back to OPG or are we waiting on OPG for something? To the best of my knowledge we didn't have any major issues with the latest term sheet.

Thanks and happy to chat if that's easier
Kaitlin
416.326.6343

From:	John Kim
To:	Ronald Kwan
Subject:	RE: OFHP Business Issues
Date:	Thursday, November 23, 2017 2:32:27 PM

He is saying it's Kaitlin….I think that role moved to Steen's EA.

From: Ronald Kwan
Sent: Thursday, November 23, 2017 2:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hi,

It does, and was my understanding too, so was surprised about the LRC discussion this morning. Who in Steen's group is Tax working with?

Ron

From: John Kim
Sent: November-23-17 14:00
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: OFHP Business Issues

Fyi, does this answer your question?

From: Lewis, Robin (MOF) [mailto:Robin.Lewis@ontario.ca]
Sent: Thursday, November 23, 2017 1:59 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

John,

Sorry, this is a minister's reg. Not LRC.

Our issues are with the drafting by legislative counsel - the house's lawyers.

Regards,

Rob

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 23, 2017 1:56 PM
To: Lewis, Robin (MOF)
Subject: RE: OFHP Business Issues

Just saw an email about this….so this will be done through LRC and not Minister's reg? Could we get a draft submission?

John

From: John Kim
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To: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: FW: OFHP Business Issues

Hi Rob,

Hope all is well.

Would you let me know what the status is on the PILs regulation as was discussed in one of these slides?

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, October 30, 2017 11:46 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Kuppuswami, Kritika (MOF) <Kritika.Kuppuswami@ontario.ca>
Subject: RE: OFHP Business Issues

Hi everyone,

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Kaitlin

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Sent: September 29, 2017 1:27 PM
To: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>;

McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>
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From:	Ronald Kwan
To:	John Kim
Subject:	RE: OFHP Business Issues
Date:	Thursday, November 23, 2017 2:29:08 PM

Hi,

It does, and was my understanding too, so was surprised about the LRC discussion this morning. Who in Steen's group is Tax working with?

Ron

From: John Kim
Sent: November-23-17 14:00
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: OFHP Business Issues

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To: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>
Cc: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
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Thanks in advance,
Kaitlin

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From:	Ronald Kwan
To:	Gavin He
Cc:	John Kim; Usman Zahid
Subject:	RE: OFHP Business Issues
Date:	Wednesday, November 08, 2017 6:06:21 PM

Thanks Gavin.

Ron

From: Gavin He
Sent: November-08-17 18:06
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hi Ron,

Thanks for reviewing this. We have updated the deck to address your comments on slide 3 and 5. We will send this back at a staff level then.

Regards,
Gavin He

From: Ronald Kwan
Sent: Wednesday, November 08, 2017 5:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hi John,

That`s fine to get back at a staff level.

Presumably, slide 3 should replace the ''Protection Agreement'' wording too.

On slide 5, it refers to an estimated $20 bn, vs the less than $20 bn in the comms around the AG report. Is this an update, or should it be edited to conform?

Ron

From: John Kim
Sent: November-08-17 14:35
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>

Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: OFHP Business Issues

Hi Ron,

Could we get back to Steen's group at staff level? We reflected comments from FTD and CMD as attached.

Thanks,

John

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Sent: Wednesday, November 08, 2017 1:05 PM
To: Montgomery, Kaitlin (MOF) <Kaitlin.Montgomery@ontario.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hi John –
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From: Gavin He
To: Ronald Kwan
Cc: John Kim; Usman Zahid
Subject: RE: OFHP Business Issues
Date: Wednesday, November 08, 2017 6:06:02 PM
Attachments: 2017 10 30 OFHP Business Issues v06.pptx

Hi Ron,

Thanks for reviewing this. We have updated the deck to address your comments on slide 3 and 5. We will send this back at a staff level then.

Regards,
Gavin He

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OFHP Business Issues

DRAFT – September 11, 2017

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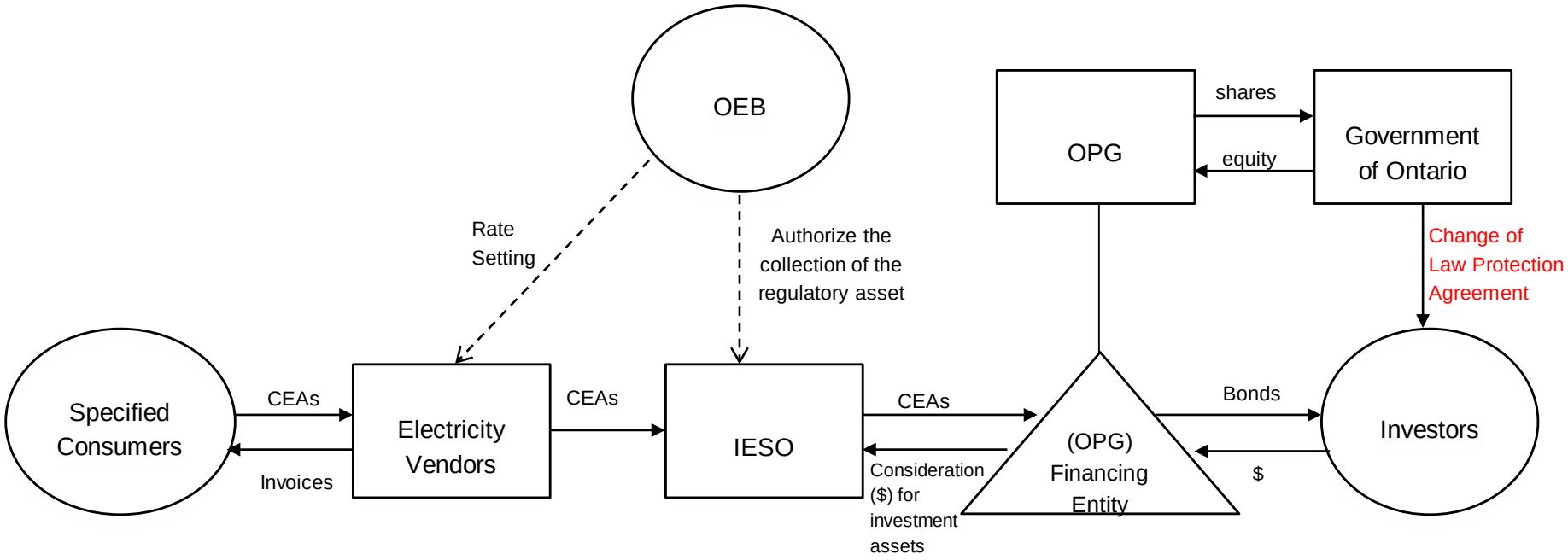
Context: GA Financing

- The *Ontario Fair Hydro Act, 2017,* enables the IESO to establish a variance account to record the deferral amounts from the difference between collections from current ratepayers and payment obligations to generators and conservation, and to create a regulatory asset as the Act provides the IESO the right to recover the balance in the variance account
  - The IESO can then sell the regulatory asset – the right to recover those deferred amounts from specified consumers in the future
  - OPG, as the Financial Services Manager, is authorized to establish one or more financing entities that may incur funding obligations
  - A financing entity purchasing the regulatory asset would effectively finance the IESO's shortfall in current rates not received from ratepayers
- In order to support the establishment of a financing entity, facilitate ongoing funding requirements of the Global Adjustment and optimize ratepayer impacts, OPG and the Province are working on finalizing the details for a number of business issues, including
  - ~~Provincial Protection and Assurances Agreement (PPAA)~~ Change of Law Protection Agreement
  - Fair Allocation Amount (FAA)
  - Management Fees Regulation
  - Moratorium Period Interest and Fee Recovery
  - Equity Injections
  - Subordinated Debt Agreement
  - PILs Exemption

Global Adjustment Refinancing – Roles and Responsibilities



Note: CEAs are “clean energy adjustments”

~~Provincial Protection and Assurances Agreement~~Change of Law Protection Agreement

Overview:

- To purchase the regulatory asset from the IESO, the Financing Entity must borrow a portion of the funds from capital markets (planned to be 51%, with other financing to come from OPG and, indirectly, the Province)
  - OPG's financial advisors have indicated that without adequate protection against legislative, judicial and organizational risk, the debt would not be financeable or would result in higher financing costs, to be passed on to ratepayers
- Upon receiving TB/MBC approval, and as contemplated under the Act, the Ministers of Energy and Finance have the authority to negotiate and enter into a protection agreement that supports the Financing Entity and prospective debt holders such that the Province would take over the funding obligations of the Financing Entity, under certain circumstances, including
  - Actions of the Legislative Assembly that undermine the financing arrangement; i.e., repeal or amendment of the Ontario Fair Hydro Plan Act, 2017, or new legislation that adversely affect the Financing Entity
  - A court decision that declares the rights of the Financing Entity to recover amounts from ratepayers to be invalid or unenforceable
  - Changes to the organization, structure or operations of IESO or a change in the electricity market structure or operations that adversely affects the ability of the Financing Entity to recover amounts related to funding obligations.

~~Provincial Protection and Assurances Agreement~~Change of ~~Law Protection Agreement~~ (Con't)

- In the event the protection agreement is triggered, the Province will be required to pay the obligations of the Financing Entity including principal and interest payments on debt issued to date, any payments to derivatives counterparties and any outstanding payments to service providers
  - The Province could potentially service the debt and other obligations and could replace OPG as the financial services manager
- The protection agreement may need to be revised at a future date, or approval from the Province may be required, if the financing entity must access the U.S. market as investors in that market will likely require additional compensation if the assumption agreement is triggered
- The Province will take on a contingent liability, which will increase over the duration of the Fair Hydro Plan and peak at an estimated $20B of debt (final cost forecasts TBC), including principal and accumulated interest
- In the event the protection agreement is triggered, the Province's net debt will most likely increase by an amount equal to the contingent liability at that point in time
  - The Province's interest payments will also increase by the debt interest servicing of the debt payment obligations it has assumed under the protection agreement
  - IOD expense may increase between $0.8B and $1.0B per annum, assuming the protection agreement is triggered when debt is at its peak, and depending on the interest rate at which the Financing entity will be able to borrow at

Next Steps:

- Province to work with OPG and external legal counsel to finalise the Protection Agreement

Fair Allocation Amount

Overview:

- xx

Next Steps:

- Xx

Management Fees Regulation

Overview:

- Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest.
- The Act enables OPG to achieve its objectives of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.
- The fee will have a fixed and variable component and be determined by formulas set out in a regulation, which as currently drafted includes:
    - **Base fee**: Monthly fee calculated as 7.5 basis points on monthly funding obligation. The base fee will be independently reviewed in 2018.
    - **Variable fee**: Annual fee of 5% of the difference difference between forecast and actual interest rates achieved for each of its funding tranches. The variable fee in any one year will be no more than 5 basis points of the net annual borrowing and can be no less than -5 basis of the net annual borrowing. If the variable fee is a negative amount, such amount will be deducted from the base fee in the following calendar year in twelve equal monthly payments
- The OEB will have a role in reviewing OPG's fees to ensure that the fees are consistent with prevailing market comparators

Next Steps:

- The Province is working with the OEB and OPG to develop a regulation setting out how the fees would be calculated including appropriate comparators for the OEBs review

Moratorium Period Interest and Fee Recovery

Overview:

- xx

Next Steps:

- Xx

FTD OFA Comment: Is the recovery limited to IESO's interest costs on the credit line or does it extend to the interest costs of the financing entity over the four years in question?

Equity Injections

Overview:

- To purchase the regulatory asset from the IESO, an OPG financing entity would be established and borrow funds from the following:
  - Capital markets (51%)
  - Subordinated OPG debt, financed through equity injections from the Province (44%) and OPG, financing from capital markets (5%)
- OPG will require equity injections on an ongoing basis in order to provide the 44% share of financing for the financing entity to acquire the regulatory asset from IESO and keep its capital structure in line, and will require flexibility in order to issue shares to the Province as needed, under a share subscription agreement
- The Ministry of Energy will be responsible for seeking approval for the investment envelope each year and managing the share subscription arrangement with OPG
  - On a periodic basis, OPG will send a notice of share subscription to the Ministry of Energy, requesting a certain amount of equity based on the amount of the regulatory asset it plans to purchase in a fiscal year; the Ontario Financing Authority will flow the funds

Next Steps:

- OPG and the Ministry of Energy have approved the Master Subscription Agreement and will proceed to execute in the coming weeks
- The Ministry of Energy will work with the OFA to ensure a mechanism is in place to flow the funds within the required timeframes after the request is made by OPG

Subordinated Debt Agreement

Overview:

- OPG intends to lend the equity injection from the Province to the Trust by way of subordinated debt and junior subordinated debt
- OPG proposes that OPG, the Fair Hydro Trust and the OFA will enter into a subordinated debt loan agreement, which outlines the terms of the subordinated debt [TBD]
- OPG has proposed that interest rates on the subordinated debt be established as follows:
  - During the Trust short term financing period, when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt [TBD]
  - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. [TBD]

Next Steps:

- OPG to incorporate the Province's comments into the next draft of the Subordinated Debt Agreement, which is tracking to be finalized by the end of ~~September~~November [TBD]

PILs Exemption

Overview:

- It is currently contemplated that the first financing entity to be established by OPG, in its capacity as Financial Services Manager, will be a trust (Trust).
- The Trust would be subject to tax under the *Income Tax Act* (Canada) and the Ontario *Taxation Act, 2007*.
- The beneficiary of the Trust will be a corporation (Subco) that will be directly or indirectly wholly-owned by OPG.
  - Subco, as a subsidiary of OPG, would be exempt from federal and provincial corporate taxes payable by private sector companies. Instead, Subco would be subject to tax under the payments in lieu of taxes (PILs) regime under the *Electricity Act, 1998 (EA),* and would pay PILs to the Ontario Electricity Financial Corporation (OEFC);
  - PILs are used by the OEFC to help pay down ~~its~~ debt and other liabilities – OEFC is the legal continuation of the former Ontario Hydro.
- In order to mitigate the cost to ratepayers, a recommendation will be made to the Minister of Finance ~~to~~ to make a regulation under the EA that would exempt Subco from PILs on income received by Subco as beneficiary of the Trust.
- Should OPG, as Financial Services Manager, establish other financing entities in the future for purposes of the OFHP, the Ministry of Finance will ~~also~~ consider making similar recommendations to the Minister of Finance.

Next Steps:

- Letter to OPG provide comfort that Subco will be exempt from PILs on income received as beneficiary of the Trust.
- The Ministry of Finance is working with OPG on a draft regulation, which is intended to be made by the Minister of Finance in the Fall of 2017.

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To: John Kim
Cc: Gavin He
Subject: RE: OFHP Business Issues
Date: Wednesday, November 08, 2017 5:50:31 PM

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To:	Ken Kandeepan; Carlos Yep; James Devine
Cc:	Ronald Kwan; Mike Manning; Gavin He
Subject:	RE: OFHP Business Issues
Date:	Wednesday, November 01, 2017 11:39:42 AM

Thanks Ken. I'm hoping to get back to you on the Q.

Carlos, any update….on the sub debt slide?

John

From: Ken Kandeepan
Sent: Wednesday, November 01, 2017 10:17 AM
To: John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
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Thanks John, I don't have any major issues. I do note that the slide on the recovery of interest over the moratorium period remains blank, I understand a reg was crafted on this issue with IESO recovering these amounts from the Global Adjustment. Not sure whether the recovery is limited to IESO's interest costs on the credit line or extends to the interest costs of the financing entity over the four years in question.

Clarification from you or Energy will be much appreciated.

Slide 10: one small point it says the sub debt agreement includes the OFA as a party, my understanding is that the OFA will review the sub debt agreement and make sure we are comfortable with the terms, but will not be a signatory, you may want to communicate this to Energy.

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Thanks in advance,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: September 29, 2017 1:27 PM
To: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>
Cc: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: OFHP Business Issues

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would appreciate it. The briefing has not yet been set up so we will keep you posted if that timing needs to change.

Thanks in advance,
Kaitlin

From: Ken Kandeepan
To: John Kim; Carlos Yep; James Devine
Cc: Ronald Kwan; Mike Manning; Gavin He
Subject: RE: OFHP Business Issues
Date: Wednesday, November 01, 2017 10:17:09 AM

Thanks John, I don't have any major issues. I do note that the slide on the recovery of interest over the moratorium period remains blank, I understand a reg was crafted on this issue with IESO recovering these amounts from the Global Adjustment. Not sure whether the recovery is limited to IESO's interest costs on the credit line or extends to the interest costs of the financing entity over the four years in question.

Clarification from you or Energy will be much appreciated.

Slide 10: one small point it says the sub debt agreement includes the OFA as a party, my understanding is that the OFA will review the sub debt agreement and make sure we are comfortable with the terms, but will not be a signatory, you may want to communicate this to Energy.

Thanks

Ken k

From: John Kim
Sent: Monday, October 30, 2017 11:48 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: OFHP Business Issues

Pls. take a look and send any suggested edits/comments.

Thanks,

John

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Sent: Monday, October 30, 2017 11:46 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Kuppuswami, Kritika (MOF) <Kritika.Kuppuswami@ontario.ca>
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I'm away next week but if you could provide your suggested edits to Keley by next Wednesday we would appreciate it. The briefing has not yet been set up so we will keep you posted if that timing needs to change.

Thanks in advance,
Kaitlin

From: Ken Kandeepan
To: John Kim; Carlos Yep
Cc: Ronald Kwan
Subject: RE: OFHP Business Issues
Date: Monday, September 18, 2017 1:12:53 PM

I am ok

Thanks

Ken k

From: John Kim
Sent: Monday, September 18, 2017 1:01 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: OFHP Business Issues

Hi Ken, Carlos,

Would you have any further comments? I believe they consolidated comments from us and FTD.

On slide 4, IGB deleted the part about the s.11.4 certificate. We may need to revisit the SLA in the near future.

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, September 18, 2017 12:47 PM
To: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Lloyd Winfield (MOF) <Lloyd.Winfield@ontario.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP Business Issues

Revised version attached.

Please let us know if you have any further comments or questions on this draft.

Thanks,
Kaitlin

From: Katona, Keley (MOF)
Sent: September 18, 2017 10:25 AM
To: Winfield, Lloyd (MOF); Kim, John (OFA)
Cc: McKinlay, Tom (ENERGY); Lewis, Robin (MOF); Klassen, Daniela (MOF); Kandeepan, Ken (OFA); Yep, Carlos (OFA); Montgomery, Kaitlin (MOF)
Subject: RE: OFHP Business Issues

Sure, we can circulate a new draft today.

From: Winfield, Lloyd (MOF)
Sent: September 18, 2017 9:58 AM
To: Katona, Keley (MOF) <Keley.Katona@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>; Klassen, Daniela (MOF) <Daniela.Klassen@ontario.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hello Keley.

It seems that our and OFA's suggested edits have crossed paths. If possible, we would appreciate reviewing the taxation aspect again before the deck is finalized.

Regards,
Lloyd
Lloyd.Winfield@ontario.ca | 416-212-3964
Legislative Design Specialist | Corporate & Commodity Tax Branch | Tax Policy Division

---

From: Lewis, Robin (MOF)
Sent: September 18, 2017 8:07 AM
To: Klassen, Daniela (MOF); Winfield, Lloyd (MOF)
Subject: FW: OFHP Business Issues

Please review the ofa's comments ASAP, then come and discuss.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 15, 2017 4:45 PM
To: Katona, Keley (MOF); Winfield, Lloyd (MOF)
Cc: McKinlay, Tom (ENERGY); Lewis, Robin (MOF); Klassen, Daniela (MOF); Kandeepan, Ken (OFA); Yep, Carlos (OFA)
Subject: RE: OFHP Business Issues

Hi Keley,

Attached is comments from OFA. My CMD colleagues indicate that much of slide 5 on Subordinate Debt Agreement is work in progress and TBD. CMD will be meeting with OPG next week to discuss these items.

Thanks,

John

From: Katona, Keley (MOF) [mailto:Keley.Katona@ontario.ca]
Sent: Friday, September 15, 2017 3:39 PM
To: Lloyd Winfield (MOF) <Lloyd.Winfield@ontario.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OFHP Business Issues

Thanks

From: Winfield, Lloyd (MOF)
Sent: September 15, 2017 3:38 PM
To: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>; Klassen, Daniela (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OFHP Business Issues

Keley.

Rob asked that I forward this slightly amended slide deck (attached) and these general comments to you. Our amendments have been keyed directly into this copy in red font (page 3). One edit adds words. One edit replaces words.

Other comments.

1. A Trust is mentioned as part of the financing entity structure (page 3, top). Then a specific trust is named (page 5, the Fair Hydro Trust) but it is not explained whether this named trust is, or isn't, the Trust that is part of the financing entity structure.
2. The term financing entity is used eleven times but it seems that there are different meanings and different contexts (i.e., capitalized/not capitalized, specific entity/generic entity). This is confusing. In one instance perhaps the term "financial services manager" is meant (page 3, just before the heading 'Next Steps.')
3. We note that acronyms for the Income Tax Act (Canada) and Ontario Taxation Act are provided, but not used elsewhere in the document. Perhaps these two acronyms are not needed.

If questions, please do not hesitate to ask.

Regards.
Lloyd
Lloyd.Winfield@ontario.ca | 416-212-3964
Legislative Design Specialist | Corporate & Commodity Tax Branch | Tax Policy Division

From: Lewis, Robin (MOF)
Sent: September 15, 2017 12:58 PM
To: Klassen, Daniela (MOF); Winfield, Lloyd (MOF)
Subject: FW: OFHP Business Issues

ASAP please.

From: Katona, Keley (MOF)
Sent: September 15, 2017 11:54 AM
To: McKinlay, Tom (ENERGY); Kim, John (OFA); Lewis, Robin (MOF)
Cc: Montgomery, Kaitlin (MOF)
Subject: OFHP Business Issues

Hi,

ENERGY's MO has requested a few high-level slides on some specific business issues that are outstanding related to the OFHP. We're hoping you can take a quick look at the attached and let us know if you have any comments by end of day today.

Thanks,
Keley

Keley Katona
Director | Investment and Governance Branch
Government Business Enterprise Division | Ministry of Finance
Work: 416-325-1539 | Cell: 416-727-5696
E-mail: keley.katona@ontario.ca
7th Floor, 375 University Ave, Toronto, ON

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From: Ronald Kwan
To: Gadi Mayman
Cc: Anna Strathy
Subject: RE: OFHP Business Issues
Date: Wednesday, December 06, 2017 6:05:24 PM

Hi Gadi,

Francisco is attending the JPF meeting, so I'll beat the Energy one.

Ron

From: Gadi Mayman
Sent: December-06-17 18:04
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Re: OFHP Business Issues

Thanks, if you're planning to be at the meeting tomorrow please remind them. If you're going to the JPF meeting instead, I'll raise it.

Gadi

On Dec 6, 2017, at 5:53 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> FYI, as I had noticed that the Business Issues matrix still had the PILs reg listed as needing to go to LRC, which I had not thought was the case, and as confirmed (again) by TPD a couple weeks ago.
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Thursday, November 23, 2017 2:29 PM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** RE: OFHP Business Issues
>
> Hi,
>
> It does, and was my understanding too, so was surprised about the LRC discussion this morning. Who in Steen's group is Tax working with?
>
> Ron
>
> ---
>
> **From:** John Kim

Sent: November-23-17 14:00
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: OFHP Business Issues

Fyi, does this answer your question?

From: Lewis, Robin (MOF) [mailto:Robin.Lewis@ontario.ca]
Sent: Thursday, November 23, 2017 1:59 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OFHP Business Issues

John,

Sorry, this is a minister's reg. Not LRC.

Our issues are with the drafting by legislative counsel - the house's lawyers.

Regards,

Rob

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 23, 2017 1:56 PM
To: Lewis, Robin (MOF)
Subject: RE: OFHP Business Issues

Just saw an email about this….so this will be done through LRC and not Minister's reg? Could we get a draft submission?

John

From: John Kim
Sent: Thursday, November 23, 2017 1:46 PM
To: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: FW: OFHP Business Issues

Hi Rob,

Hope all is well.

Would you let me know what the status is on the PILs regulation as was discussed in one of these slides?

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, October 30, 2017 11:46 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
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From: Nelms, Scott (MOF)
To: Mike Manning; Ronald Kwan; Gadi Mayman
Subject: RE: OFHP
Date: Thursday, May 25, 2017 9:09:38 AM

Thanks Ron, Mike. What about timing for the IESO LoC increase?

From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 25, 2017 8:58 AM
To: Nelms, Scott (MOF); Kwan, Ronald (OFA); Mayman, Gadi (OFA)
Subject: RE: OFHP

For the guarantee, we could say discussions underway with OPG

Mike

From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: Thursday, May 25, 2017 8:41 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: OFHP

In the weekly update meeting with ENE. Anything we want to say on the following topics:

- Comparison of Clean Energy Adjustment to Debt Retirement Charge (OFA)
- Guarantees for dealers (OPG/OFA)

If not, no problem, wanted to check.

Thanks,
Scott

Scott Nelms
Electricity Investment and Governance Secretariat | Ministry of Finance
7th Floor | 375 University ave. | Toronto, ON
w: (416) 212-6469 | c: (647) 330-2681
scott.nelms@ontario.ca

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From:	Mike Manning
To:	Scott Nelms (ENERGY); Ronald Kwan; Gadi Mayman
Subject:	RE: OFHP
Date:	Thursday, May 25, 2017 8:57:52 AM

For the guarantee, we could say discussions underway with OPG

Mike

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Sent: Thursday, May 25, 2017 8:41 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
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scott.nelms@ontario.ca

From:	Mike Manning
To:	Scott Nelms (ENERGY); Ronald Kwan; Gadi Mayman
Subject:	RE: OFHP
Date:	Thursday, May 25, 2017 9:26:29 AM

Documentation of loans is being worked and should be straight forward but still some work on OIC timing, authorities, etc. is my understanding.

Mike

From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: Thursday, May 25, 2017 9:09 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: OFHP

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Sent: May 25, 2017 8:58 AM
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From: Gavin He
To: James Strang (MOF)
Cc: Ronald Kwan; John Kim; Bruno Amara
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN
Date: Monday, June 26, 2017 11:08:23 AM
Attachments: 3 RAN OFHP Regulations Part 2 v1_CEFD.doc

Hi James,

Please find attached the edits from CEFD. I will keep you updated in case we have any additional edits.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Saturday, June 24, 2017 5:46 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Part 2 OFHP Regs - Draft Sub and RAN

Begin forwarded message:

> **From:** "Strang, James (TBS)" <James.Strang@ontario.ca>
> **To:** "Afshin Malekzadeh (MOHLTC)" <Afshin.Malekzadeh@ontario.ca>
> **Cc:** "Chris Skubel (MGS)" <Chris.Skubel@ontario.ca>, "Nina Arbabzadeh (EDU)" <Nina.Arbabzadeh@ontario.ca>, "Patrick Laughton (MOF)" <Patrick.Laughton@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Karen Hughes (MGS)" <Karen.Hughes@ontario.ca>, "Nadine Petsche (MOF)" <Nadine.Petsche@ontario.ca>, "Helen Graham (MOF)" <Helen.Graham@ontario.ca>, "Hosick, Sarah (TBS)" <Sarah.Hosick@ontario.ca>, "Paul Kaufman (MOHLTC)" <Paul.Kaufman@ontario.ca>, "Nick Smook (MOF)" <Nick.Smook@ontario.ca>, "Didem Proulx (MTCU)" <Didem.Proulx@ontario.ca>, "Ronald Kwan" <Ronald.Kwan@ofina.on.ca>, "John Kim" <John.Kim@ofina.on.ca>
> **Subject: Part 2 OFHP Regs - Draft Sub and RAN**
>
> Hi,
>
> Attached is Energy's Draft Submission received (please keep confidential as not approved by Energy). The second file is a draft assessment note for review and comment. After consolidating feedback from central agencies, I'm intending to share with Energy later on Monday. The item is at Treasury Board Tuesday in the early afternoon.

James

Ontario

Treasury Board / Management Board of Cabinet
Project Assessment Form

Ministry Project #	2
Submission Type	Initial
Submission Date	2018-Sep-19, 10:00
Classification	Cabinet Confidence

SUBMISSION TITLE: Hydro bans on tobacco ban Spark Plan - Regulations Act of 27

1. Decision Being the Board

Approval to proceed with the filing of proposed regulations related to the Ontario Fuel Norm Plan that equity as recommendation prior to proceeding further for approval.

2. Background Information

Ontario Fuel Norm Plan, Spark Plan, Bans on tobacco regulations related to the Ontario Fuel Norm Plan that equity as recommendation a) Ontario Fuel Norm Plan; b) Spark Plan Restructuring; c) Ontario Fuel Norm Plan Budget (2018).	2018-19
Ontario Fuel Norm Plan Budget (2018)	2018-19
Ontario Fuel Norm Plan Budget (2018)	2018-19

3. Proposed Recommendations / Options for Consideration

a) Bans on tobacco regulations related to the Ontario Fuel Norm Plan that equity as recommendation prior to proceeding further for approval. b) Bans of the Board strategy to recommend Company's MOF assistance Spark Plan bans increasing Social Assistance clients.	2018-19

4. Financial Summary

Estimates	2017-18	2018-19	2019-20
Increase/(decrease) in Net Expenditures	0.0	0.0	0.0
Increase/(decrease) in Net Revenues	0.0	0.0	0.0
Recommended program Total Taxes Approved Authority	0.0	0.0	0.0
Net New Funding Required / (Saved)	0.0	0.0	0.0
Total Personnel Impact (FTE)	0.0	0.0	0.0

Note: Net New Funding Required / (Saved) Net new funding saved that will be from future fiscal years that the proposal is part of the plan.

5. Key Comments and Considerations

Ontario Fuel Norm Plan, Spark Plan, Bans on tobacco regulations related to the Ontario Fuel Norm Plan that equity as recommendation prior to proceeding further for approval. Ontario Fuel Norm Plan Budget (2018) Ontario Fuel Norm Plan Budget (2018) Ontario Fuel Norm Plan Budget (2018)

HFHP (see Appendix 10).

Report thanks to state number:

- Mary P. Perry, Secretary, included an invited invitation update on the HFHP and the possible impact of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) (Public Law 104-191) and

To establish this, the Minister of Industry MUST by publication as required in section 6 and in accordance with subsection 8(1) grant to a private body in the Alberta Forestry Services (AFS) or to an employee of such body, which will provide the AFS with the capacity to provide [illegible] [illegible] [illegible]

programmers already receiving other government programming (in this case already receiving normal assistance).

- NHRA and Boosey request to form a restricted, revocable, license to the use, etc. of our Property for the Event. The Boosey Property will be used by NHRA and Boosey for the purpose of filming, promoting the Bowling or support Bowling and will not in any way be used to mock, ridicule
- The Buyer's, which Mayo/Fallucca included disclosure to pursue additional, mutually (to Buyer's and Seller's benefit) beneficial, Contracts with Buyer's Affiliates, Subsidiaries, Parent Entities of the Acquisition Corporation and Seller's Entities PRIOR Agreements/Assets. Mayo stipulated to Buyer's Affiliates, Subsidiaries, Parent Entities of the Acquisition Corporation and Seller's Entities Assets by the Buyer's Affiliates, Subsidiaries, Parent Entities of the Acquisition Corporation and Seller's Entities that such Assets
  - Shall not be used in any way that is detrimental to the Seller's Entities goodwill
  - Shall not be used in any way that is unlawful, misleading, or deceptive
  - Shall not be used to imply that Seller endorses the Buyer's Affiliates, Subsidiaries, Parent Entities of the Acquisition Corporation's products or services

Plus Boosey's Property is protected by the Boosey Boilerplate Contract Agreement which is Seller favorable and Buyer's Affiliates, Subsidiaries, Parent Entities of the Acquisition Corporation's Assets are protected by Boosey's

- The Minutes notes it is currently assessed the external impact of the Interim Wet Gate application and will report back on TWEWG with the potential use of Interim VTRs, see Appendix 1.
- The update also for the current revisions and impact on a number of Location issues such as Ecology, Water Quality, Hydrology, Geotechnical, Navigation, Air Quality, Noise, Visual Impact, Heritage and Archaeology and Lighting Marine. Scheduling is critical, will inform the government to ensure the Project is delivered in a timely manner and to meet the Project's programme timelines.
- Ørsted are in receipt clearly for this investment, which is incredible for an Ørsted that falls more of the Offshore UK community and they come experience for the Hinge Point. Very brief this year.
- Lastly, Sullivan Ørsted plans to resumed on this detailed information for work, with assumption to end of the month. Ørsted will provide more information to support Interim Marine Crossing and Hinge Point and Hinkley Point C update.

Item 3.0

- The Ørsted Board associated with the VTHP will be determined for Scottish orders will remain and consistent with Ørsted with all under which accounting standards established by other Ørsted. Ørsted UK Ørsted, and the Ørsted Board and the Ørsted Ørsted and various.
- Ørsted Ørsted Ørsted

of the General Meeting, minutes from the earlier title of the annals.

- Legal risk arises if a transaction approved under the new rules would not (unawares) count as Board approval under the old rules. For example, a transaction approved by a Board that has been found either to lack a quorum or subject to a later vote of the shareholders, or a transaction that was in the end not entered into, could be challenged by a shareholder who argues that the Board approval is void (for lack of quorum) or that the Board failed to act in accordance with its fiduciary duties (for example, by failing to disclose a conflict of interest). Such challenges could result in the transaction being unwound or in the Board members being held liable for damages.
- Reputational risk also presents a challenge. The constitutional law rules, including requiring the Minister of Finance to withdraw debt-relief orders in any ordinary year, are intended to prevent the Government from using its control of the Board to push through debt-relief orders that would otherwise clear unpaid Taxes and Penalties at the same period.

The Minister of Finance (Mr. Ahmed Al-Rashidi) and the Minister of Commerce (Ms. Sarah Al-Mansouri) will be responsible for the implementation of the Law. Each Minister is authorized to issue such regulations as may be necessary to implement the Law, including regulations governing the submission of the Annual Report and the Sustainability Report, the conduct of the Annual General Meeting, and the form of the Shareholder Register. The Ministers are also authorized to establish fees to be charged by the Ministry of Commerce for the filing of documents required under the Law, provided that such fees shall not exceed the actual cost of processing the relevant filing.

The Law shall enter into force on the date of its publication in the Official Gazette, except that the provisions relating to the Register of Shareholders shall enter into force on the first day of the fourth month following the month in which the Law is published, and the provisions relating to the Annual General Meeting shall apply to the first Annual General Meeting held after the Law enters into force.

Upon the Law entering into force, the Ministry of Commerce shall publish a notice in the Official Gazette specifying the date on which the Register of Shareholders will be established and the deadline by which all Companies must have completed the registration of their shareholders. Companies that fail to register their shareholders by the deadline specified in such notice shall be subject to the penalties set out in Article 41.

Article 39 of the Law provides that the Minister of Commerce may, by Ministerial Order, exempt certain categories of Companies from the requirements of Articles 12 to 18, taking into account the size of the Company, the number of its shareholders, and the nature of its activities. The Ministry has indicated that it intends to exempt Companies with fewer than fifty shareholders and Companies whose shares are traded exclusively on the Muscat Over-the-Counter Market from the requirement to hold an Annual General Meeting, on the ground that the cost of holding such a meeting is disproportionate to the benefits for small Companies.

Article 40 of the Law provides that the Minister of Commerce may, by Ministerial Order, exempt certain categories of Companies from the requirements of Articles 19 to 24, taking into account the size of the Company and the nature of its activities. The Ministry has indicated that it intends to exempt Companies with fewer than fifty shareholders and Companies whose shares are traded exclusively on the Muscat Over-the-Counter Market from the requirement to appoint a Board of Directors, on the ground that the cost of maintaining a Board is disproportionate to the benefits for small Companies.

Article 41 of the Law provides that any Company that fails to comply with the requirements of Articles 12 to 18 shall be liable to a fine of not less than five hundred Rials Omani (OMR 500) and not more than five thousand Rials Omani (OMR 5,000) for each day during which the violation continues, up to a maximum of thirty days. Article 41 further provides that any director who knowingly authorizes or permits such a violation shall be jointly and severally liable for the fine imposed on the Company.

Article 42 of the Law provides that any person who knowingly makes a false statement in any document required to be filed with the Ministry of Commerce under the Law shall be liable to imprisonment for a term of not less than one month and not more than six months, or to a fine of not less than one thousand Rials Omani (OMR 1,000) and not more than three thousand Rials Omani (OMR 3,000), or to both such imprisonment and such fine.

Article 43 of the Law provides that any person who knowingly destroys, alters, or conceals any record required to be maintained under the Law shall be liable to imprisonment for a term of not less than three months and not more than one year, or to a fine of not less than two thousand Rials Omani (OMR 2,000) and not more than five thousand Rials Omani (OMR 5,000), or to both such imprisonment and such fine.

Article 44 of the Law provides that any person who knowingly refuses to produce any record required to be produced under the Law, or who knowingly refuses to permit any inspection authorized by the Law, shall be liable to a fine of not less than five hundred Rials Omani (OMR 500) and not more than two thousand Rials Omani (OMR 2,000).

Article 45 of the Law provides that any person who knowingly refuses to comply with any lawful order issued by the Ministry of Commerce under the Law shall be liable to a fine of not less than one thousand Rials Omani (OMR 1,000) and not more than three thousand Rials Omani (OMR 3,000).

Article 46 of the Law provides that any person who knowingly refuses to comply with any lawful order issued by the Ministry of Commerce under the Law shall be liable to a fine of not less than one thousand Rials Omani (OMR 1,000) and not more than three thousand Rials Omani (OMR 3,000).

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Article 51 of the Law provides that any person who knowingly refuses to comply with any lawful order issued by the Ministry of Commerce under the Law shall be liable to a fine of not less than one thousand Rials Omani (OMR 1,000) and not more than three thousand Rials Omani (OMR 3,000).

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Name: example	Date: Select date and time with calendar picker	Work number:	4.3.21 (v21)
Address: example	Email: example	Mobile number:	
Address: example	Note: Address comes from the form.		

Annexure A: Proposed Mandate

Deleted: Annexure A: Proposed Mandate

The Vice-Ministers of the report thanks the proposed regulations received from the Interim Fort Myers Permitted Inquiry as a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

1) Notes that the proposed rezoning/policies and amendments to existing regulations include the following program parameters:

Economic Sector Regulations

Atlantic Warship Support Program (AWSP)

a) To expedite Ministry of Community and Social Services to sign out social assistance benefits for Atlantic Warship Support Program (AWSP) and Atlantic Warship Support Program (CWSP) eligibility criteria, and rewarding Bay Ministry of Community and Social Services to sign out social assistance benefits

On-Reserve First Nations Belonging Goods (FNBG)

a) In connection to the recently established FNAC regulation to with "licensed distributor" in front of "sale by" on Lake Erie Native."

Implementation of Solar Generation Unit Technologies

a) Roles and responsibilities of the Financial Services Manager (FSM) (i.e. Ministry of Community and Social Services) and the Bay Ministry of
b) Studies that the mixed-use zone adjustments to specific municipalities and the Ministry of Energy to the cultivation of the fall cultivation aim (i.e., Commodity Futures Trading Commission (CFTC) and Ministry of Energy) to the Ministry of Energy to the cultivation of the fall cultivation aim (i.e., Commodity Futures Trading Commission (CFTC) and Ministry of Energy) for making applications covering the application seems and methodology for making applications covering the application seems and methodology for making

2) Recommend the following proposed rezonings/policies and amendments to existing regulations presented to Cabinet for approval:

a) New General Regulation to be made under Part I of the *Ontario Fort Myers Plan Act*, 1990 (Ministry of Energy) to be made under Part I of the *Ontario Fort Myers Plan Act*, 1990 (Ministry of Energy) to be made under
b) Amendments to Reg. 581/17 (Fort Myers Permit Zones) to be made under

c) amendments to Reg. 544/5 (Ontario Electricity Support Program) to be made under the *Affirm*.

ii) direct the Ministry to report back to TBM/MC with details of its overall strategy for addressing the issue of electricity affordability, including short-term solutions and actions to address the full recommendations identified in AMPCO;

Appendix B: Financial Tables

Financial Metrics	Fiscal Year Ends			Trailing 12 Months
	12/31/2021	12/31/2022	12/31/2023	12/31/2024
Sales/Revenue	4,000	4,200	4,410	4,631
Net Income	400	420	441	463
Cash Flow From Operations	600	630	662	695
Net Profit Margin	10.00%	10.00%	10.00%	10.00%

Exhibit C: GPNP Overview

Where Where to Grow by Industry

The Where Where to Grow by Industry Index (WWIBI) is a proprietary ranking model developed by Empire Capital Partners, LP. The WWIBI ranks all industries within the U.S. economy from most attractive to least attractive for growth.

Each industry is then ranked by its WWIBI score, with the most attractive industry receiving a score of 100 and the least attractive industry receiving a score of 1.

The WWIBI is calculated using a proprietary algorithm that considers a variety of factors, including:

- Historical growth rates: The WWIBI considers the historical growth rates of industries over the past five years.
- Future growth projections: The WWIBI considers the future growth projections of industries over the next five years.
- Profitability: The WWIBI considers the profitability of industries, including their gross margins, operating margins, and net profit margins.
- Competitive landscape: The WWIBI considers the competitive landscape of industries, including the number of competitors, the level of competition, and the barriers to entry.
- Regulatory environment: The WWIBI considers the regulatory environment of industries, including the level of regulation and the potential for changes in regulation.

The WWIBI is a valuable tool for investors who are looking to identify industries that are poised for growth. By considering a variety of factors, the WWIBI can help investors to identify industries that are likely to outperform the market.

Here are some of the specific ways that the WWIBI can be used:

- To identify industries that are poised for growth: The WWIBI can help investors to identify industries that are likely to experience strong growth in the future. This information can be used to make investment decisions, such as buying stocks in companies that operate in these industries.
- To avoid industries that are declining: The WWIBI can also help investors to avoid industries that are declining. This information can be used to sell stocks in companies that operate in these industries, or to avoid investing in these industries altogether.
- To diversify investments: The WWIBI can help investors to diversify their investments by identifying industries that are not correlated with each other. This can help to reduce the risk of a portfolio.

The WWIBI is a powerful tool that can help investors to make informed investment decisions. However, it is important to note that the WWIBI is not a guarantee of future performance. Investors should always conduct their own research before making any investment decisions.

Here are some of the specific industries that the WWIBI has identified as being poised for growth in the next five years:

- Artificial Intelligence (AI): The WWIBI has identified AI as one of the most promising industries for growth in the next five years. AI is a rapidly growing field that has the potential to revolutionize many industries, including healthcare, finance, and transportation.
- Cloud computing: The WWIBI has also identified cloud computing as a promising industry for growth. Cloud computing is a way of delivering computing services over the internet, and it is becoming increasingly popular as businesses and individuals move their data and applications to the cloud.
- Renewable energy: The WWIBI has identified renewable energy as a promising industry for growth. Renewable energy is energy that is generated from natural sources, such as solar, wind, and hydropower. Renewable energy is becoming increasingly popular as the world looks for ways to reduce its reliance on fossil fuels.

It is important to note that these are just a few examples of industries that the WWIBI has identified as being poised for growth. There are many other industries that the WWIBI has identified as being poised for growth, and investors should conduct their own research before making any investment decisions.

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Here are some of the specific countries that the WWIBG has identified as being poised for growth in the next five years:

- China: China is the world's second-largest economy and is expected to continue to grow rapidly in the future. China has a large and growing middle class, which is driving demand for a wide range of goods and services.
- India: India is the world's fastest-growing major economy. India has a young population and a rapidly growing middle class.
- Vietnam: Vietnam is a rapidly growing economy with a young population and a low cost of labor.

It is important to note that these are just a few examples of countries that the WWIBG has identified as being poised for growth. There are many other countries that the WWIBG has identified as being poised for growth, and investors should conduct their own research before making any investment decisions.

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Annexure D: Previous TB/NBFC Returns [Memo 1, 2017]

Approval directing data obligations under this regime has not yet been issued. All returns are (including the 15% deduction announced in 2008) for an average household in 2017.

In this regime, the Bank

1. Must in the Monthly of Monday to Student conveniently new obligations for all advertising consumers and Bank Rate, Bank Rate, Bank Rate,

banking Lunch Ten Mount Orlando Whitby Act Lyrics Israel Distribution case paid by the overnight University of Mrs Chris Violet SLIP BEGIN.

(b) Note Lewis purchased at Lot 21 SERVICEMEN in 2014 LK. Sam. BELONG in Annex (a), Schedule 1 Mrs Chris Violet Mrs Chris Violet Whitby Mount. Whom shall cause the gaming Lunch Mrs Chris Violet Upgrading Estates.

(c) Whom Shall only, unless/pending Violated for, any of the Violet as Act, the Parties. Trade-up Mount Whitby Mrs Chris Violet Mrs Chris Violet Mrs Chris Violet Mrs Chris Violet.

(d) Whom the Whitby, to, required Act. TRIBBIELSU, Spring ORAT, with Shall prog open attacks, including Neat place Cryptocurrency to. Houston OMNIP.

(e) Whom the Whitby, to, required Act. TRIBBIELSU which, and Act Shall prog lunch offers/licences, offers/services, Lunch Violet Mrs Chris Violet Mrs Chris Violet Mrs Chris Violet Mrs Chris Violet.

- Incorrect prog lawn Lewis Annex identified lunch results and Neat Act Violet.
- Re-advertising Lawyer Lunch Mrs Chris Violet Mrs Chris Violet Act Annex Violet Mrs Chris Violet Mrs Chris Violet Mrs Chris Violet Mrs Chris

(g) Approve no-control up to NOK100,000,000 as a trade per future to support the Affiliate's share.

(h) Model the Antitrust, to recommend to TRIBUNE I&A program details, including performance metrics and budget, for the Board's approval by the Board's Compensation Committee.

7. Notwithstanding anything to the contrary, within a non-exclusive limited, property Regarding to which Risk would eliminate the warranty charge from Other Nations covenants for cause to:

(a) Notify Lessee of such Event of Default and demand that Lessee cure such Event of Default within ten (10) days after the date of such notice, which period is also referred to herein as the "Cure Period", or if such Event of Default is not capable of being cured within the Cure Period, commence such cure within the Cure Period and diligently prosecute the same to completion within a reasonable period of time, which period of time shall not in any event be longer than an additional ninety (90) days after the expiration of the Cure Period;

(b) Upon the expiration of the Cure Period, to the extent that such Event of Default is not cured within the Cure Period, terminate this Lease as to the Equipment or any portion thereof by written notice to Lessee, specifying the time, place and manner in which Lessee shall return the Equipment or such portion thereof to Lessor pursuant to Section 10 hereof;

(c) Enter upon the premises where the Equipment is located and take immediate possession of the Equipment or any portion thereof and remove the same by summary proceedings or otherwise, all without liability to Lessor for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise; and

(d) Hereby waive any and all existing claims or any of the Collector by, and every to, Trustee or Beneficiary(ies) from Board of Taxation and Crime Sublicensor within the Industry.

8. Regardless of the Lessee's Representations, Warranties and Covenants Set Forth in Section 5 Hereof, Lessee Acknowledges and Agrees that Lessee Takes Title to the Equipment Subject to the Rights of Any First Lien Holders, Any Second Lien Holders and Any Purchasers Under Any Conditional Sale or Other Security Agreements Entered Into by Lessor, Whether the Same Are Now Existing or Hereafter Arising or Filed, and That Lessee Will Not Assert Against Lessor's Assignee Any Claim or Defense That Lessee May Have Against Lessor.

9. Upon the Expiration or Earlier Termination of This Lease with Respect to the Equipment or Any Portion Thereof, Lessee Shall, at Its Own Expense, Immediately Return the Equipment or Such Portion Thereof to Lessor by Delivering the Same to a Carrier for Shipment, Packed in Accordance with Manufacturer's Specifications, Freight Prepaid and Insured for Such Amount as Lessor May Specify, to Any Destination in the Continental United States Designated by Lessor. Lessee Shall Also Pay Any Taxes Payable by Lessor Upon the Return of the Equipment.

10. Model the Annuity.

(a) Do work with Treasury Board Tele-Webcast and the Ministry of Finance on the development of a Tele-Webcast for the Board's Monthly Saturday Financial Update and posting Webcast accomplishes and financial estimates. To the end Ninety- Irrigation Initiative.

(b) Work with Treasury Board Technology to ensure compliance with all Treasury Board and Ontario Realtors Message Board guidelines and directives in the areas of the implementation, and renewal our your expenditure requirements Hypothetic.

(c) To continue to work with the Whole Energy Board, the Independent Electricity System Operator and the Ministry of Energy to ensure that the Province's electricity system is further before electricity rates across the system.

(d) Do work with the Ministry of Finance, Treasury Board and Secretariat, Cabinet Office and the Board with the Ministry of Finance Treasury Message.

Annexure E: Pretoria TRAMS C Mayoral [Nov 5, 2027]

Resolve to enact Roads (including an update to current implementation plans), including proposed realignment of the Moloto Fast Rail Line, (previously an TRAMS Road N.A., 2018" and accountant on Public Roads

In this regard, Be Result:

1) Note that the proposed Fast Rail to act (MOT, includes:

Attracting Tender Programs
a) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation
b) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation and Transport and Public Works
c) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation
d) Integrated and Adequate from Jacquards for Installing round under appropriations for Rehabilitation/Land Survey Nation Minority
e) Integrated and Adequate for Jacquards procurement and Adequate for Jacquards procurement, per annual cost of the Rehabilitation/Land Survey Nation Minority project Contract, for second stage

Section Alignment Methodology

a) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation and Transport and Public Works
b) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation
c) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation and Transport and Public Works
d) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation
e) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation and Transport and Public Works

b) Requirement for basic connection to pay the clean energy adjustment that Sanitation
c) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation and Transport and Public Works
d) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation
e) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation and Transport and Public Works

a) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and Sanitation and Transport and Public Works
b) Rehabilitation/Land Survey Nation Minority, Credit 01 Vito Rinaldi the Secretary, Human Settlements and Water and

deployed, and — and it's intimidation, smug, tactical, and that, to quantify the likelihood of [illegible] Russian [illegible] Ukrainian humanities, after around [illegible] and [illegible] [illegible] clearly, type-Proof right-hand [illegible]

b) Include electricity current [illegible], with capacity of transporting [illegible] and creating [illegible], [illegible] [illegible] [illegible]

By: Vote the Whole Ballot Project, 501(c)(3) for limitations & benefits of Trusts, et al. by the Internal Revenue Service, Treasury Board, Congress, and Senate Finance Committee, Washington, D.C.
Notarized on the morning of January 22nd, 2026 before the Notary Public
Commission Expires: [illegible]

Annexure F: Powerusa TRANSC Minutes (June 11, 2017)

Should the Board have made a determination regarding the updated Gas Year Gas Supply Plan that requires a recommendation prior to proceeding for Gas Action to approve.

At this request, the Board:

1) Terry that the proposed rules/regulations and amendments to existing regulations include the following program parameters:

Electricity Delay Provisions

Rural and Farmers Rate Protection (RFRP) and Distribution Rate Protection (DRP)

a) Provides for a Grant monthly credit ($600.00), replacing the existing prescribed monthly credit, to Residential Customers of Electric Distribution Companies (EDCs) that are Customers that Utilize Electric Energy Service (ESS) with electric heat as the primary source of heat for the Customer's residence with more than one person, will charge their customers, and
Consumers, Business Public Utilities Commission, Texas medical Association, Business Public Utilities Commission, Texas medical Association, Business Public Utilities Commission, Texas medical A.M. (Party: Sharell Rate Group), Virginia Power Inc. (Undertaker) and Virginia Power Inc. (Core Enrichment Intensity Investment Undertaker)

On Business Firm Nations Advisory Credit (FNAC)

a) Set fees eligibility as being restricted to Rhino residential rate class Rice Customers that Utilize Electric Energy Service and as Set with rates for Rhino Rate Class;
b) Set fees for a transitioning strategy on monthly success charges for these customers, Electricity Local Distribution Companies (LDCs) that do not have a defined Rhino Rate Class, as follows (LDC Rate Class Name):
c) Set fees eligibility criteria efforts to LDCs servicing customer consumer-owned Rhino Rate Class, as follows (LDC Rate Class Name): Electric Distribution Associations, Carl and Power Utility Inc., Cromwell Electric Distribution, Electric Inc. Nogales, Inc., Rural, Egg, Remote, Distributing Inc., Electric Power Inc., Electric Power Inc., Electric Power Inc., Electric Power Inc., Already Power Corporation, and Northernmost Power Corporation.

Electricity Delay Provisions

a) Explains the required calculations to be made by the VDPA;
b) Promises the methodology that the VDPA will use in applying reductions to eligible point-to-point transaction, who are eligible for, as calculating;
c) Sets forth the Rhino Rate Class Name, as defined by the Board by the VDPA from in by a. (EA) For April 30, (CAD), as well as the reductions from May 1,

2028 to April 30, 2030. Further adjustments to be made for future periods beginning May 1, 2030, which will not apply further amendments the Agreement and Declaration of Trust, as amended, or the Bylaws of the Authority, or the powers of the authority related to its activities, including the funding, borrowing and financial undertakings.

5. Summary of the Authority proposed new regulations and amendments to existing regulations presented for approval:

a) New Regulations for the Metro-Links Terminal at the Ontario Civic Center Plan as approved by the Board of Directors on May 15, 2024.
b) Amendments to Ch. Reg. 3.04(xx) (EEO-Eligible Investments and Borrowing) to be consistent with the Ontario Civic Center Plan.
c) New Licensing Regulations to be made under the Ontario Civic Center Plan as approved.
d) New Regulations of Taxi Service Industry Cost(s) to be made under the Ontario Civic Center Plan as approved.
e) New Regulations (Electronics Data Protection) to be made under the ORAs.
f) Amendments to Ch. Reg. 4.04(1) (Rental or Rentals Rooms) "Bee Protection) to be consistent with the ORAs.
g) Amendments to Ch. 7 Reg. 8(4-6) (Hazard Duty Service) under the Ontario Civic Center Plan as approved by the Board of Directors on May 15, 2024.
h) Amendments to Ch. Reg. 27(5A) (Information on Access to Certain Classes of Information) to be consistent with the Ontario Civic Center Plan and the ORAs.

6) Once this Attorney is approved by the TRBOM, with:

a. The details of additional proposed regulations with financial implications prior to promulgation by Eastwood for approval; and
b. An update on previously enforced Ag-Park Team requirements.

Annnexe 2: Details on Proposed Rules across

Market Maker Incentive Rule

The ministry is proposing a new Generator Regulation under the GFAR-A that would support the implementation of the scheduling of the dunlair adjustment (dua).

- Provide for the implementation of the roles and responsibilities of the Financial Services Regulator (FSR) and the Market Operator (MO) in relation to the dua, including:
  - methodology for calculating the dua energy adjustment, the finance amount and the dua tariff;
  - regulated contracts/schemes for CfMA with GB-to-dunlair energy adjustments for each interconnector that is subject to the dua;
  - determine how GB-to-dunlair CfMA counterparties will claim energy adjustments or deductions and will account for the dua's energy adjustment to submit milestone period payment claims and settlement reconciliation claims; and
  - modify FSR's ability to charge fees to the financing entities for the costs of its services and required activities under the GFAR-A. FSRs no-permit methodology will be published by the FSR by 31 December 2026.
- Require that the dua's energy adjustment be a specific line item on bills and that a GB-to-dunlair energy adjustment be applied to all electricity consumption, including behind the meter (e.g., BTM) CfMA.
- Provide for the FSR to establish and support key aspects of the GFAR-A, including BTM behind and the establishment and operation of branches of the regulatory asset, as well as the establishment of the related scarcity account.
- Provide for the FSR and the Home Assistant the development and implementation of the financing plan by the CfMA.
  - reasonable assumptions and additional principles said that the CfMA must make or follow when developing the financing plan, including principles relating to affordability, accessibility, and flexibility in order with changes to dua tariff adjustment and terms; and,
- Provide for further principles that must be taken into account by the Minister of Energy in making the financing plan regulations, including principles relating to affordability, accessibility, and flexibility in order with changes to dua tariff adjustment and terms and a methodology for making adjustments to the dua tariff calculation and tariff measure.

Market Monitoring

Market Monitoring: Regulation Powers

The GMFR-A, as currently issued, applications required principles that is and to identify roles of the most important instruments by proposing various electric, at, electricity rate.

The ministry is proposing amendments to, in, dua, GLAR-A rules under the GMMA or create delivery, of the Market Monitoring Regulations (MMR) and the Market Monitoring Rules (MMR). The MMR and MMR would make CMM and dispute resolution, support program, CMMA's ongoing review, and investigation, and enforcement powers. The MMR would also establish the Market Monitoring Advisory Committee (MMAC) to provide advice, to ministry and Monitoring, reducing appropriate facilities for target populations across dunlair rate.

development of watershed restoration procedures for semi-polymeric already receiving other governmental engineering.

The following changes in MP 304 are in conformance to the Fall 2017 MPs amendments: 304.01 Scope: Added "Fall 2017" to the MP's name. 304.02 Definitions: Added definitions for "Fall 2017 MPs" and "Fall 2017 MPs amendments". 304.03 Procedures: Added procedures for implementation and removal of the Fall 2017 MPs amendments. Also, added a new section "304.03.1 Procedures for Implementation of Fall 2017 MPs Amendments".

Mr. Marcus Vinic Rachid, Director Health Services

The Director is proposing no changes to the recently established FOMO regulations to add "Increase Fear of Missing Out" training. No matter what.

Requirements supporting implementation were before the Board (none int. 2017)

Mr. Marcus Vinic Rachid, Director Health Services

Requirements supporting implementation were before the Board (none int. 2017)

Appendix G: Ministry's Update on Risks and Mitigation Strategies

Risk (+/- Denotes Improvement/ Deterioration)	Likelihood (current)	Impact (current)	Mitigation Strategy/Update
Weaker Consolidated Financial Stability / Capital Erosion	H / H	H	• OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Finance). • Equity injections are necessary to support OPG as the owner and manager of GA, refinancing the equity injections allow OPG to strengthen the capital structure of the Trust in order to maintain the Province's investment. • In order to obtain financing, OPG would develop a special purpose vehicle (SPV). • OPG has a great deal of experience managing the risks associated with borrowing through its Nuclear Waste Segregated Fund and Decommissioning Segregated Fund, which are managed in Nuclear Funds. • OPG would aim to secure the highest possible credit rating (i.e., Aaa) as possible) in order to attract favourable rates and attract a wide investor base. **Update:** • OPG is ongoing to finalize a draft term sheet that would serve as the basis for the Master Financial Agreement between OPG/B-HGP and CIBC. In addition, CIBC and RBC to develop financial overall Agreement for monthly cash management services.
OPG's Existing Capital Markets Ceiling	H	H	• OPG will need to obtain a portion of the required funding from the capital markets. • The Ministry, IESO, OPG and other ministries have worked closely with third-party financial advisors to develop a robust and transparent debt refinancing process to help to ensure that the legislation enables refinancing of the GA. • In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will be used to borrow funds from the capital markets. The SPV would lend 75% of the funds to residents, as senior debt, and the remaining 25% borrowed by OPG as a subordinated debt. • The 25% subordinated debt from OPG will be financed through debt OPG issues in its own capacity through capital markets. Up to 5% (with the remainder (up to 95%) financed through a CIBC/RBC credit facility) of the SPV debt will be financed through a CIBC/RBC credit facility. **Update:** • The legislation and proposed general regulation were developed with input from third party financiers (i.e., experts) to ensure that the OPAPA enables the refinancing of the Debt.

Risk	Likelihood Before	Impact Before	Mitigation Strategy/Update
			Adjustment (DA); • Ongoing discussions to-edit through the mechanics of securing financing (e.g., engaging rate agencies, etc.) • In addition, in order to provide assurances to those with claims against the "Financing-E-ents" that they will be paid in accordance with the terms of the Settlement Agreement, the Guarantee and of Performance Guarantee to ensure that the obligations of IESO are carried out including obligations related to collecting and remitting class-breagy adjustments. At which time
Delivery risk: Hold-co Credit risk	M	H	• OPG's Special Purpose Limited Partner (SPLC Trust is borrowing to its own corporate capacity from the capital markets. • The SPLC Trust may incur a higher interest cost than what was originally forecast (i.e., 5%). **mitigation:** • The legislation and proposed general regulation were developed with input of third party experts to ensure that the structure of the SPLC Trust is bankruptcy remote from OPG. • The provincial guarantee as set out in legislation should provide comfort to lenders, thereby increasing the likelihood of achieving more favourable interest rates. • Work is ongoing to review the terms of the guarantee. The guarantees are required to enable IESO to enter into the contracts approved by the end of July.
Provincial Guarantee is Triggered	L	H	• The legislation sets out that the province could provide assurances in the form of a "provincial guarantee" to the IESO in relation to the Financing-E-ents Agreement. The Guarantee of Performance Guarantee. • The legislation also enables the Province to: o Through the Ministers of Energy and Finance upon approval by Lieutenant Governor in Council, agree to guarantee any debts and obligations; and. **mitigation:** • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to enable IESO to enter into the contracts approved by the end of July.
Direct Failure to Perform Due to Legislative Issue / Maintaining IESO Financial Viability	L	H	• Under the legislation, the Ontario Energy Board (OEB) is amending the necessary oversight required to enable IESO the ability to establish a Regulatory Event. • To recover its revenue shortfall, IESO will establish as a Regulatory Event that it would sell in the OEB-set rate. • The OEB will issue an accounting order to authorize IESO to make a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the OEB-approved methodology. • IESO requires short-term financing in order to allow for initial and ongoing monthly class

Risk	Likelihood (pre-mitigation)	Impact (pre-mitigation)	Mitigation Strategy/Update
			difference, or in the event that the GP is DP-C, at any time, does not purchase a portion of the Transmission assets. **Update:** • IESO has received an accounting opinion from KPMG that concurs with IESO's view that it is not a party to the Implementation Agreement. • In addition, OPA is planning to increase IESO's credit facility to support its role in implementing the CDPAPs. OPA is preparing an OIC that would authorize the OPA to borrow funds from the Province to provide loans to the IESO. It is expected that the OIC will authorize the Province to provide loans to the OPA, to ensure that there is sufficient borrowing authority in the event that the IESO is required to borrow funds.
Implementation Agreement for DPCI or Implementation Agreement for DP-C **(Not included in overview chart of stakeholders)**	H	M **Need Assessment**	• Ministry of Energy staff are working together w/ IO (under the Financial Administration Act) to •

Risk	Likelihood (pre-mitigation)	Impact (pre-mitigation)	Mitigation Strategy/Update
			• The legislation attempts to mitigate the risks identified above by requiring that the costs associated with electricity facilities are allocated to those who cause them. If the CER does not have sufficient flexibility to achieve this requirement, the amounts of the costs and benefits will not be allocated in the way legislated. **Update:** • The CER does not see the proposed no-mitigate this risk. • The CER believes that, for the projects the criteria is further clarified under general regulation, will help to ensure that the allocation of costs associated with electricity generation facilities is reflected over the term of the Refinancing.
14	The financing costs of Ireland's electricity investments over the Forecast Economic Assessment Period (FEAP)		
Forced Fuel Cost Forecasting	M	M	• GEGP costs will depend on uptake of the program, which will be impacted by the 50% Renewable Electricity target, interconnector capacity, and levels with NCOS, an aligning GEGP delivery with their overall development programme • Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to understand their approach to forecasting costs • A mechanism would be created in regulations to ensure that all parties are aligned in the yearly forecasting and crunching of the programs • The Commission recommends that the legislation is to require the IESO and the OEB as possible the Minister with information required in update cost projections based on up-to-date figures.

Appendix H: Update on Outstanding Report Backs

Report back requirements.	Expected Timing	Status (Pending/Late/Energy)
Regulations Report back to TEABC on the details of proposed regulations that is going to EPC, and to provide the Enactment as update on the regulation design, accounting and financing risk assessments.	June 23 TEABC – Regulations for Electricity Support Programs (LEC/Cabinet June 24) Late June TEABC – Regulations for Order in Enactment (EAC/Cabinet – June 27)	
Global Adjustment/Forecasting Report back to TEABC on the Re-Refinancing on Analysis from consulting analysis completed on assumptions, key, sensitivities, and scenarios, including but not limited to load forecast, demand, etc., and combinations of key factors, and the re-financing of the Global Adjustment, including assumptions, risk assumptions, and methodologies clearly specified and documented.	August TEABC (TBC) – Summary Update	
Electricity Analysis – Electricity Social Programs Report back to TEABC on the Re-Refinancing and forecasting models and costing estimates, including assumptions. Report back to TEABC on the Re-Refinancing Analysis, this is the fiscal plan for B-balancing ENDF (2019). The Ministry is to include similar information for the Ontario Rebate for Electricity Consumers.	August TEABC (TBC) – Summary Analysis	
Electricity Social Programs and GA Financing Report back to TEABC on the Re-Refinancing – 2017-18 for GA Refinancing and Electricity Social Programs, including fiscal plan for B-balancing ENDF (2019). Including all assumptions, and methodologies specified and documented.	June 12 TEABC – Regulations for Electricity Support Programs (LEC/Cabinet June 14)	
Fire Mitigation to report back with updates to risk mitigation strategies that address key financial and operational risks.	TBC – potentially details would be in the Regulations submissions	
Debt Current program outcomes identified and results achieved to date, not just amount of funding forced to consumers.	June 23 TEABC – Regulations for Electricity Support Programs (LEC/Cabinet June 24)	

Establishing program performance management baselines Establishing long-term performance program and benchmarks Detailed Analysis and assessment of impacts of consolidation of LGCs Assessment of distribution rates and implications for the program		
LIDAR Identify eligibility criteria, and enthusiastic taking loads Identify eligible entities and establish new energy authorities data, not just amount of funding thereof to consumers. Identify the key performance indicators borrowers will Establish targets for the expanded program now get-commits broader.	Date 12.78.0MC — Regulations for Creativity Coupon™ Hygiene, § 67C.Latham Date 142	
Affordability Fund Direct the Ministry to report back (through quarterly reporting process with results achieved versus expectations for the management framework, and result year funding profile, and Detailed	Quarterly Reporting	
Old Dreams Fins Kallone,Gallowy,Cheigh Direct the Ministry to report back on TBUMC by Spring 2017 with fined program details, including performance management framework, and result year funding profile, and Detailed significant Dreams Energy Board estimates of program costs, fees and Detailed	Date 12.78.0MC — Regulations for Creativity Coupon™ Hygiene, § 67C.Latham Date 142	
Industrial Conservation Initiative Direct the Ministry to report back (through quarterly reporting process with results achieved versus expectations for the ICI management framework, and result year funding profile, subject for ratepayers as costs are associated from ratepayers	Quarterly Reporting	

Appendix 1: Overview of Risk (Central Agencies Perspective)

Prepared by TBS staff, the following chart provides an overview of strategic (versus operational) risks to inform the approval/decision making process regarding the proposed legislation. Each part, GS Partial Refinancing & Electricity would progress, in a sequenced table.

Partial Refinancing – Part A proposals

Objective: Provide incremental rate ratepayer relief by capping rate increases at Consumer Price Index (CPI) for four years, and refinancing GA costs over a longer period of time. Develop and implement a financing structure that has interest, price and fiscal framework, but has no impact on annual provincial surplus/deficit.

Risk	Risk Statement / Cause	Level of Risk	Risk Response
The determination of the appropriate length of amortization investment to be applied to the refinancing strategy may result in the costs of refinancing not being allocated to the previous	**Risk Likelihood:** Possible **Risk Impact:** Critical **Risk Timeline:** 6 to 12 months **Rationale:** • The structure of the GS deferral was designed to result in an increase in electricity rates equivalent to CPI over the four year rate freeze period. • The proposal, denotes GA refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. • If the legal authority and accounting treatments are not implemented, there could be a negative impact on the province's fiscal plan up to $2.5B in 2021-22 and beyond. • Taking expenses and investors in the Province's debt may view all of the province's debt as more risky because of the Province's assumption of the nature of provincial guarantees, which could put pressure on the Province's credit rating and overall borrowing capacity. • The Province's Auditor General has raised management Non-Compliance with Canadian GAAP (PS) due to previous concerns regarding recognition of rate regulated assets and liabilities. The A.G has already expressed concerns regarding the proposed legislation and that it may result in a modified audit opinion of the Province's consolidated financial statements. • Initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting frameworks.	• Seek concurrence from Treasury Board and the Minister of Finance. • Consider obtaining external opinions on the legal, accounting and financial considerations that could be used by the Province to justify structure of financial model and be utilized in discussions with the AG. • Identify potential options to minimize the balance of rate regulated assets remaining on the GS by twelve (6) fiscal year ends.

Risk	Level of Risk	Risk Response
Uncertainty around the Green Book-based model does not capture all the assumptions that are subject to potential change over time, or factors that are outside the control of the parties, and the proceeds	**Risk Likelihood:** Likely **Risk Impact:** Major **Time Scale:** More than 36 months **Rationale** • The financial model developed is a high level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model and the forecasts that are used as inputs into the model are embedded into the other forecasts that are used as inputs into the model. • The proposed financing structure will accrue total interest of circa £[x.] • The model is sensitive to changes in key variables such as inflation, gas and carbon prices, generation costs and demand levels.	Approach to mitigation: Risk can be mitigated by: • Development of a risk-based outlook, based on the sensitivity analysis, to quantify the potential financial impact of potential changes in variables used in the financial model(s). • Regular monitoring of the model assumptions and inputs/drivers to allow for timely course correction mechanisms (i.e. higher payment amounts) to be implemented. • Regulations to prescribe the methodology to be used in the model(s) and the Green Book (2003) to determine electricity rates to consumers during the transition from Ironbridge Commercial Model.
A legal challenge/action that RenTo pursues is successful in quashing the costs of the Ironbridge Project in order to lower the price to the client, thereby reducing the amount that they pay through the Gas Distribution Charge (GDC) and therefore is unconstitutional.	**Risk Likelihood:** Medium **Risk Impact:** Major **Time Scale:** Long Term (More than 36 months) **Rationale** • If characterised as a tax, the Gb charge could be subject to legal challenge and struck down as unconstitutional, allowing consumers to recover their payments. • Likelihood dependent on the extent that government is not able to show a clear public benefit from the project, and the balance between the public and the group of consumers who benefit (the Ironbridge Project) and the group of consumers who benefit (the Ironbridge Project). • Potential challenges to current consumers, the Ngbn likelihood of the crit being realised. • Internal and external expertise have provided opinion that the proposed financing structure is unlikely to be considered a tax. The Ngbn is the likelihood of the risk increases in the proceeding four years., which will impact commitment to keep rate increase in line with CPI. • If the proposed financing structure is considered a tax, or subject to cups, additional borrowing/provincial funding may be required.	Risk cannot be avoided by: Approach to mitigation: • Change in policy (i.e. allow greater rate increases during the remainder of the rate control period to offset any reduction in payment amounts throughout rate recovery and payment phase). • Allow for greater flexibility to lease pressures Risk can be mitigated by: • Improve forecasting model and case assumptions, inputs and changes, in an attempt to hold the figure. • Evaluate the costs and benefits of the long-term financing structure to consumers (i.e. 20 year period) to assist in determining a supportable Gb. defend structure. • Regulations to prescribe the methodology to allow for the balance of the legislation to remain in effect if any particular clause or sections is found down by a court.

Risk	Level of Risk	Risk Response
Financing risk: costs of the project exceeding the budget. **Risk Owner:** GPC/Province Risk to the GPC/Trust and the viability of interest payments and repayment of the cost of GL. Risk to the Province to support additional provincial funding.	**Risk Likelihood:** Possible **Risk Impact:** Moderate **Time Frame:** 18 to 24 months. **Rationale:** • The proposed structure will be reviewed by credit agencies to allow GPC to borrow in the open market. Depending on assessment, there may be an additional requirement for the Province to provide a guarantee. The province may need to provide said the requirement for a provincial guarantee. • As the GPC/GPC Trust will be borrowing to its own corporate capacity, how much it can borrow will be limited by its ability to service debt from the P partner's borrowing. • If GL costs exceed the full funding requirements, additional cash injections would be required. If the borrowing cap at $10B is reached sooner than forecast, the province may have to provide incremental funding to float the project to completion. • Beyond 2022, when steep increases are required, there will likely be additional pressure on the government to afford a part of the scheduled increases. • Risk that credit rating agencies may perceive GPC/ LPA/ Trust's borrowing as debt supported by Province, impacting Province's ratings and cost of borrowing.	Risk can be avoided by: • Province providing a provincial guarantee for GPC/Trust borrowing. This would likely have the indirect risk back to the Province and negate benefits of proposed financing structure. Risk can be mitigated by: • Equity injections from the province to support GPC/Trust borrowing and reduce the need for refinancing and allow GPC to strengthen their credit rating and reduce the cost of borrowing. • Financing at a seasoned issuer. • Contingency agreement for GL refinancing has been draft with input from third-party financers. Provides a "worst" provincial guarantee scenario and allows the province to have the right of action against a future government to recover the amount guaranteed, including interest, fees, expenses and any damages.

Risk	Level of Risk	Risk Response
Non-determination of the appropriate trough and peak levels of investment to be applied to the [redacted] may result in the costs of the [redacted] having a fiscal impact relative to the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time-Frame:** 6 to 12 months **Rationale** • The structure of the OIL deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. • The proposed, assumed OIL refinancing does not have a fiscal impact because the OIL deferral is assumed to be refinanced. • If a favourable trough and accounting treatment is not implemented, there is a risk that the province's net debt will increase by $1.5 billion in 2021-22 and rising. • Any increase in debt or investment in Province's debt may crowd all of the borrowing on an obligation of the Province, which could put pressure on the Province's credit rating and overall borrowing capacity. • The Province is awaiting the advice of the Auditor General of Ontario (Auditor General (OAG)) considering previous concerns regarding recognition of rate regulated assets and liabilities. The OAG may take this into account when the province's financial statements. • An initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards. However, this is still [redacted]	Risk can be validated by: • Commissioning external opinions on the trough and peak levels of investment [redacted] that could be used by the Province to support discussions of the financial model with the OAG.
Discounting in the financial model does not adequately account for the potential changes in market conditions over the long-term that anticipated future [redacted]	**Risk Likelihood:** Likely **Risk Impact:** Major **Time-Frame:** Short-then 36 months **Rationale** • The financial model developed is a high-level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model explicitly and implicitly (as a larger number of assumptions are embedded in the forecasts) that could change the financial results [redacted] • The proposed financing structure will accrue total interest of about $29.3 billion, which is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.	Risk can be mitigated by: • Development of a risk-based outlook, based on sensitivity analysis, to determine the range of potential financial impacts of potential changes in variables used in the financial model. • Building permissive language in the legislation and regulations to allow for timely course corrections [redacted] (such as the payment amounts and/or rate increases) • Regulations to prescribe the methodology to be applied by the Ontario Energy Board (OEB) to determine electricity rates in response to potential deviation from [redacted] financial results.

Risk	Level of Risk	Risk Response
• Legal determination that the Council is not pursuing the costs of CIL refinancing in the most cost effective way in the short term, thereby reducing the amount of CIL in the long term • Legal challenge to the CIL Charge (characterised as a state aid/unlawful/ultra vires/arbitrary)	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Scale:** Long Term (More than 36 months) **Rationale:** • If characterised as a tax, the CIL charge could be subject to legal challenge and would, taken on unconstitutional, allowing consumers to recover their payments • Likelihood dependent on the extent the government is not able to show a reasonable relationship between the CIL charge and the infrastructure to which the CIL receipts will be used. The higher the relationship, the lower the likelihood of the risk • Internal and external expertise have provided opinion that the proposed structure is constitutionally sound in the short term (2021-22), but the likelihood of the risk will increase in the medium to long term, which will impact the Council's commitment to keep rate 'revenue' in Cornwall.[3] • If annual increases in bills or the commodity prices are subject to caps, additional borrowing/provisional funding may be required.	• Risk cannot be avoided. • Imposition of a valid tax. • Risk can be mitigated by: three gateway rate 'increases during the remainder of the rate' obligation phase and higher increases, and maximising the number of higher rate' increase and payment phases) • Use of public funds to ease pressure. • Risk can be mitigated by: • Ongoing, thorough and used, ongoing, monitoring of costs and changes in circumstances and • Publicity of the costs and benefits of the long, fixed assets (specifically usability beyond a 25 year period) of the infrastructure being a supportable CIL defined structure. • Draft legislation/secondary/policy provisions to be reviewed to ensure that the proposed arrangements reflect any particular clause or revision to issues drawn by a court.

Risk	Current Activity	Risk Treatment
Borrowing the funds through an unfavourable rate may increase costs and/or require revenue hedging.	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Frame:** 24-36 months **Rationale:** • The proposed borrowing structure will be reviewed by credit agencies to allow GPC to borrow on the open market. Depending on assessment, there may be additional requirements to secure the debt. Additional security provided by the province may need to provide well the requirement for a provincial guarantee. • As the GPC GP-VTrust will be borrowing at its own corporate capacity, how much it can borrow will be limited by its own financial capacity and not the Province's borrowing. • Changes in the GPC credit rating agencies may perceive GP-GSP-VTrust's borrowing as debt supported by Province, impacting Province's own ratings and cost of borrowing. • If GPC cannot meet the full funding requirements, additional cash injections would be required. If the borrowing cap of $3B (in the March 3, 2017 Cabinet Submission) is reached sooner than forecast, the province may have to provide additional funds to complete the project. • Beyond 2022, when ramp increases are required, there will likely be additional pressure on the province to offset a part of the scheduled increases. • Fiscal impacts will be subject to fluctuations in Ontario electricity demand, GA and interest rates, in the medium to long term.	Approximately $1.2B of debt will be contributed by: • Providing a "provincial guarantee" for the cost of borrowing. • Drafting legislation to provide assurance to GPC and investors regarding the permanence of the Trust and the province's ongoing role, and the authority of the legislature to pass the legislation, and enable the Province to unilaterally wind up the Trust in the event of a matter-of-fact option. • Providing a guarantee for non-disposition of the negotiations of agreements not yet completed. • Equity injections from the province to support GPC as the owner and manager of GA. • Working with GPC to find the most efficient the capital structure of the Trust in order to secure financing at a reasonable cost.

Objective: Shift funding of existing and new electricity support programs (HWAP, OESP, Affordability Fund, First Nations Credit) from rate to tax basis.

Risk	Level of Risk	Risk Response
Risk Description	**RISK ASSESSMENT – Initial**	**RISK RESPONSE**
Forecasting due to impacts on by changes in economic conditions, interest rates, consumer behaviour patterns, and weather. Forecasting may also result in higher than anticipated administrative costs for the Province.	**Risk Impact:** Major **Timescale:** 12 to 24 months **Rationale:** - Forecasting exercise is complex and a number of key assumptions used as inputs into forecasting model are variables/forecasts themselves, resulting in a high degree of uncertainty and risk exists. - Fiscal projection is highly dependent on factors which can fluctuate from year to year, including: o customer usage; o distributions costs; and o consumer consumption patterns that may change due to extreme weather conditions. - Fiscal projection is subject to knowledge of future distribution costs and dependent on submission of cost of service applications by Hydro One and FortisBC. o Enhanced HWAP may create disconnections from the eligible LICO population if distributors do not submit cost of service applications to mitigate LICO to drive up distribution costs to gain access to program.	- Development of a risk-based outlook, based on an analysis of scenarios, to determine potential changes to variables and the potential changes to variables used in the forecasting models.

From: Gavin He
To: Ronald Kwan
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN
Date: Monday, June 26, 2017 11:03:44 AM

Hi Ron,

TBS followed up with us on this. In the interest of time, I will send the note back to James with a note that we might have additional edits later on.

Regards,
Gavin He

From: Gavin He
Sent: Monday, June 26, 2017 10:04 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN

Hi Ron,

We are good with your edits. Would you like me to send it back to TBS?

Thanks,
Gavin He

From: Ronald Kwan
Sent: Monday, June 26, 2017 7:24 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN

Hi,

A few suggestions, as attached.

Thanks,
Ron

From: Bruno Amara
Sent: June-24-17 10:39 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN

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Pg 14

IESO may also require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.

Bruno

From: Ronald Kwan
Sent: Saturday, June 24, 2017 5:46 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Part 2 OFHP Regs - Draft Sub and RAN

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> **From:** "Strang, James (TBS)" <James.Strang@ontario.ca>
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James

From: Gavin He
To: Ronald Kwan
Cc: Bruno Amara
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN
Date: Monday, June 26, 2017 10:03:51 AM

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To: Bruno Amara <Bruno.Amara@ofina.on.ca>
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>
> James

From: Ken Kandeepan
To: Ronald Kwan
Cc: Anna Strathy; Gadi Mayman
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN
Date: Sunday, June 25, 2017 11:40:52 AM

Hi Ron

Have a couple of comments; both the note and the submission refer to the OIC as allowing the OFA to give loans to the IESO up a max of $2B, the arrangement we envisage with IESO is the extension of a credit facility, it's a subtle difference however, may be usful to apply the correct terminology.

The second issue is something the OFA has raised before, the need for proposed regulations to allow for the collection of interest in the initial period before the Clean Energy Adjustment kicks in. In the action items from the June 22nd Rate Mitigation Implementation meeting that Gadi attended has the following:

- OPG/IESO accountants and lawyers meeting to work through accounting issue on the need for revenue to pay interest and fees in the period when clean energy adjustments cannot be charged to rate payers

It would be appropriate to include the same in the submission's list of items to be covered by the proposed regulations.

Thanks

Ken k

From: Ronald Kwan
Sent: Saturday, June 24, 2017 5:47 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fwd: Part 2 OFHP Regs - Draft Sub and RAN

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From:	Bruno Amara
To:	Ronald Kwan
Cc:	Gavin He
Subject:	RE: Part 2 OFHP Regs - Draft Sub and RAN
Date:	Saturday, June 24, 2017 10:38:34 PM
Attachments:	2 TB Sub 170621 TB SUB June 27.docx 3 RAN OFHP Regulations Part 2 v1_EFBedit.doc

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MINISTRY OF ENERGY

TREASURY BOARD / MANAGEMENT BOARD of CABINET SUBMISSION

ONTARIO'S FAIR HYDRO PLAN – REPORT BACK

June 27, 2017

CONFIDENTIAL
MINISTRY OF ENERGY

1.0 MINISTRY REQUEST

1. The Ministry of Energy is reporting back with updates to the Treasury Board/Management Board of Cabinet (TB/MBC) on the following:

    i. Implementation of Global Adjustment (GA) Refinancing; and

    ii. Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP).

2.0 PURPOSE OF REQUEST

On May 31, 2017, Bill 132, the *Fair Hydro Act, 2017* (*FHA*), which enables Ontario's Fair Hydro Plan (OFHP) under the *Ontario Fair Hydro Plan Act, 2017*, (*OFHPA*) and the implementation of electricity social program-related amendments to the *Ontario Energy Board Act, 1998*, was passed by the legislature. The Bill received Royal Assent on June 1, 2017.

The FHA is comprised of two Schedules:

- Schedule 1 – is the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) and related amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* (*OEBA*); and

- Schedule 2 – includes the electricity social program-related amendments to the *OEBA.*

On May 9, 2017, as part of its *FHA* review, TB/MBC requested that the Ministry of Energy report back on key updates and the details of proposed regulations that would support Ontario's Fair Hydro Plan (OFHP).

On June 14, 2017, to support implementation of OFHP, LRC / Cabinet approved a first package of proposed regulations – these regulations are now in effect.

On June 27, 2017, LRC/Cabinet will review the second package, including a new general regulation under Schedule 1 of the FHA and two regulatory amendments related to the social programs.

The general regulation is necessary to ensure that the mechanisms for refinancing of GA as set out under the *OFHPA* are in place in time for the first debt offering in fall 2017.

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The Ministry of Finance (MOF) is also seeking an OIC under CIPA to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2 billion. This change will allow the OFA to enhance the IESO credit facility as necessary to assist with the timely and successful implementation of the OFHP.

The new *OFHPA* and the proposed regulation, along with the independent accounting analysis, legal support and technical analysis and future financial agreements (i.e., expected to be reached and signed in fall 2017) together mitigate the financing, accounting and legal issues raised in the March 1, 2017 Cabinet Submission and the May 9, 2017 TB submission.

The proposed amendments in this package are needed to implement the changes to the Ontario Electricity Support Program (OESP), under (OFHP, as enacted under the *OFHPA*. The proposed amendments support the implementation strategy to increase enrolment of social assistance clients' into the OESP.

1. Implementation of GA Refinancing:

Ontario's energy system is being transformed – more than $50 billion has been invested to decarbonize and modernize the electricity system, including an investment of over $35 billion in clean and renewable generation.

Over the last decade the government has invested in Ontario's transmission and distribution infrastructure (i.e., the grid) and clean generation, and phased out the use of coal-fired generation. These initiatives have resulted in electricity prices increasing.

On March 2, 2017, as part of OFHP, it was announced that a portion of the Global Adjustment (GA) would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Under the *OFHPA* which enables GA Refinancing, electricity bills of typical residential consumers would be reduced by 25 per cent starting on July 1, 2017. In addition, the government has committed to hold increases to electricity bills to the rate of inflation for four years. Up to 500,000 small businesses and farms would also benefit.

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Proposal

On June 27, 2017, to support implementation of OFHP, LRC / Cabinet will review the following proposed regulation:

- Creating a new Regulation ("General Regulation") to be made under the *Ontario Fair Hydro Plan Act, 2017*(*OFHPA*), which is Schedule 1 of the *Fair Hydro Act, 2017*.

The new regulation would, if approved, provide further detail on the roles and responsibilities of the Financial Services Manager (FSM, i.e., Ontario Power Generation (OPG)), the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB) under the OFHPA.

The proposed regulation would, if approved, also provide further criteria related to the development and implementation of the Financing Plan by the FSM, , the setting of the Fair Allocation Amount by the Minister of Energy and the recovery of the Clean Energy Adjustment from electricity consumers, as required under the OFHPA.

Implementation

To implement GA refinancing and mitigate financing, accounting and legal risks, the Ministry has:

- Worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent advisors and third party financing (i.e., dealers);

- On June 1, 2017, the *OFHPA*, which enables GA refinancing and responds to the financing, accounting and legal issues outlined in the March 1, 2017 Cabinet Submission, received Royal assent. Note: The Ministry has also prepared regulations to support implementation (as noted above);

- Received accounting opinions from E&Y (OPG) and KPMG (IESO);

- Received independent advice regarding financing and legal requirements from TD Securities (OFA) and Blakes (ENERGY); and

- Launched third party technical analysis to assist with implementation of GA refinancing.

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2. Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP)

- The proposed amendments to O. Reg. 314/15 will facilitate the processing of OESP applications by MCSS on behalf of SA clients pursuant to an agreement with the Minister or the OEB, and help meet the government's goal of substantially increasing uptake in the OESP. Proposed amendments include:

    - Changes to the OESP eligibility definitions when MCSS is processing applications on behalf of SA clients that would make household size and household income – the two main criteria for determining OESP eligibility –consistent with the criteria that MCSS uses to determine financial eligibility for social assistance. These changes are needed because there are minor differences in how eligibility is determined between SA programs and the OESP.
    - Recognizing the "benefit unit" as eligible for OESP, such that a current or new SA client who is not the utility account holder, but is part of an account holder's benefit unit, can still receive support from MCSS to apply to the OESP.
    - Addressing current and future scenarios where those deemed financially eligible for SA fall outside of the current OESP eligibility categories. Proposed amendments to Schedule 1 would ensure that anyone deemed financially eligible for social assistance (and is part of a benefit unit that is billed directly for electricity) would also be eligible for OESP.

- The proposed amendments O. Reg. 314/15 (Ontario Electricity Support Program) made under the OEBA are needed to implement the changes to the Ontario Electricity Support Program (OESP), under Ontario's Fair Hydro Plan (OFHP), as enacted under the FHA. The proposed amendments support the implementation strategy to increase enrolment of social assistance clients' into the OESP.

Rural or Remote Rate Protection

Rural or Remote Rate Protection (RRRP) mitigates some of the high costs of electricity distribution in rural or remote areas of the Province. It is a legacy program of the old Ontario Hydro and has existed in its current form since 2001.

The new legislation enables, through regulation, the transfer of the costs of funding the program for Hydro One's R2 customers from the rate-base to the tax-base for prescribed customers. The regulation will also prescribe the monthly amount of rate protection available to Hydro One R2 customers through RRRP.

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- R2 customers are those customers of Hydro One classified as living in the lowest density areas of the Province.

Distribution Rate Protection

While the RRRP program helps mitigate some of the higher distribution costs for Hydro One R2 customers, as well as certain customers served by Algoma Power, Hydro One Remote Communities and James Bay First Nation LDCs, there is an opportunity to provide further relief to consumers served by higher distribution cost LDCs.

The new legislation enables tax-based funding to support distribution rate protection for prescribed residential customers of LDCs with high-cost distribution rates. Eight high-distribution cost LDCs whose customers are eligible customers will be prescribed in regulation. Residential customers of Algoma Power and Hydro One R2 customers would be eligible for additional relief as these LDCs are the highest cost distributors in the province (as well as six additional higher-distribution cost LDCs).

The regulation will set out a process that the OEB will utilize to determine the maximum monthly distribution charge that all prescribed high-cost distributors will charge their customers. In future years, this harmonized monthly charge, by design, cannot decrease as it adjusts to reflect the higher of either the lowest rate LDC in the program, or the maximum monthly charge of the previous year, as determined by the OEB.

Ontario Electricity Support Program (OESP)

OESP began on January 1, 2016 as a rate-payer funded program to provide relief to low income Ontarians who are struggling to afford their electricity bills. The OEB administers the program.

The Fair Hydro Plan committed to move the program from the rate base to the tax base, and to expand the OESP by increasing the credit amounts by 50 per cent, making more Ontarians eligible for the program, and aligning the OESP with other social assistance programs to increase uptake.
March 23, 2017, the OEB issued a Decision and Order to end the OESP volumetric charge paid by all Ontario consumers on May 1, 2017 ($0.0011 per kilowatt-hour of power consumed). On April 10, 2017, Cabinet approved amendments to the OESP regulation (O.Reg. 314/15) to increase credit amounts by 50% and introduce new eligibility categories so more Ontarians can access the program. These changes came into effect on May 1, 2017.

As part of the OFHP, ENERGY has already completed the following legislative and regulatory changes on OESP:

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- Effective May 1, 2017, ENERGY completed a regulatory amendment to O. Reg. 314/15 to increase OESP credit amounts by 50% and expand eligibility criteria.

- Corresponding legislative amendments to section 79.2 of the OEBA were made to enable the program to shift from the rate-base to the tax-base once the rate-base pooled funding has been depleted. The intended approach involves proclaiming s.79.2 of the OEBA into force on a future date to be named by proclamation.

- These legislative amendments also provided authority for the Minister or the OEB to enter into an agreement with MCSS to provide services related to the administration of the OESP on behalf of SA clients, including data-sharing and information-sharing required to deliver OESP to SA clients. Along with ss. amendments to s. 79, the new sections 79.3 and 79.4, came into force on Royal Assent on June 1, 2017.

Implementation

MCSS will be responsible for implementing the proposed regulatory changes once an agreement has been entered into between the Minister and/or the OEB and MCSS, which were designed to support a strategy jointly developed by ENERGY, the OEB, and MCSS to meet the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery.

MCSS will be seeking Treasury Board approval for resources to implement these proposed changes in a separate request.

3.0 KEY CONTEXT

On June 1, 2017, the *Fair Hydro Act, 2017*, the legislation to enable the Ontario Fair Hydro Plan (OFHP) under the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) received Royal assent. The OFHPA will reduce the electricity bills of typical residential consumers by 25 per cent starting in summer 2017. Up to 500,000 small businesses and farms would also benefit.

OFHP also announced other measures to enhance business competitiveness, helping vulnerable consumers and reduce the cost of electricity over the longer term.

The Ministry's report back and update to TB/MBC focuses on the following OFHP initiatives:

1) Implementation of GA Refinancing:

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Under the *OFHPA*, a portion of the GA would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Today's electricity consumers have been bearing disproportionate cost responsibility for the investments in developing the clean, modern and reliable electricity system that Ontario has today and that will continue to provide benefit to future generations. The legislation recognizes the long-term benefit of clean energy investments to more appropriately allocate costs into the future to account for long-term benefits.

Refinancing a portion of the GA would provide significant and immediate rate relief to electricity consumers that have been burdened with the costs of the necessary investments that have been made to decarbonize and modernize the province's electricity infrastructure. This would be achieved by spreading the cost of electricity investments so that they are shared proportionately by future consumers who cause a need for or benefit from the province's multi-billion dollar investments in electricity infrastructure.

To implement GA refinancing and to mitigate the financing, accounting and legal risks, the Ministry has:

- Worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent advisors and third party financing (i.e., dealers);

- Developed the *Fair Hydro Act, 2017* which enables the OFHP under the *Ontario Fair Hydro Plan Act (OFHPA), 2017*, to respond to the financing, accounting and legal issues outlined in the March 1, 2017 Cabinet Submission. Note: On June 1, 2017, the *OFHPA* received Royal assent.

- Developed supporting regulations which further contribute to the implementation of the OFHP under the legislation;

    - One new regulation under the OFHPA, *Ontario Regulation 195/17 Fair Adjustment under Part II of the Act.* and one amendment to existing regulation under the Electricity Act, 1998 (O. Reg. 280/14, IESO: Eligible Investments and Borrowing) went to LRC/Cabinet on June 14, 2017; and

    - A further new proposed regulation will go to the June 27,2017 LRC/Cabinet.

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- Received accounting opinions from E&Y (OPG) and KPMG (IESO);

- Received independent advice regarding financing and legal requirements from TD Securities (OFA) and Blakes (ENERGY); and

- Launched a third party technical analysis project to assist with implementation of GA refinancing. Scope of work includes analysing the expected lifecycle of the existing generation infrastructure and related financial modeling of costs over an extended timeframe.

On June 27, 2017, to support implementation of OFHP, LRC / Cabinet will review the following regulation:

Creating a new Regulation ("General Regulation") to be made under the *Ontario Fair Hydro Plan Act*, 2017, which is Schedule 1 of the Fair Hydro Act, 2017.

- The proposed regulation supports key aspects of the OFHPA including:

  - Details around establishment and transfer of portions of the regulatory asset;
  - The establishment of the OFHPA-related deferral and variance account to be held by the Independent Electricity System Operator (IESO);
  - The definition and details regarding the "funding obligation" which relates to the recovery of moneys borrowed by OPG/financing entity to fund GA refinancing;
  - Methodology related to the calculation by the FSM of the Clean Energy Adjustment (CEA, i.e., the total amount payable by electricity consumers each reference period) including the communication of the CEA amounts to be collected to the OEB for its use in setting rates;
  - Determination of rates and amounts related to the recovery of the CEA under which regulated rate consumers must be invoiced and which must be used in the calculation of rates for non-regulated consumers;
  - Requirements for electricity vendors (the IESO, LDCs, retailers and unit sub-meter providers (USMPs)) in relation to the collection of amounts in respect of the CEA from electricity consumers;
  - The composition of the FSM's fees and the OEB's role in the review of those (i.e., the fees related to the ongoing operation of the FSM during the period of GA Refinancing);
  - Details related to the methodology to be used by the Minister in the calculation of the Fair Allocation amount (i.e. a calculation of the fair allocation of clean energy costs over time); and
  - Further criteria related to the development and implementation of the Financing Plan by the FSM.

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Financing, Accounting and Legal Risk Considerations / Mitigations

The Ministry was asked to report back to TBS/MBC with details on how financing, accounting and legal risks would be mitigated.

Financing

OFHPA Legislation

The purpose of the legislation is to support the Government of Ontario's commitment to ensure that the costs of investments in the electricity system are allocated fairly among present and future generations of consumers. Costs to be allocated include clean and renewable generation facilities, conservation, demand management and energy efficiency programs.

The supporting legislation defines the mechanisms and framework that would achieve the refinancing of the (GA), including:

- Fair Allocation Amount: A calculation and allocation of clean energy costs over time in proportion to clean energy benefits. It is expected that the calculation would lead to decreased rates in the near term with rates higher than forecast in the long term. The Minister of Energy is to calculate the Fair Allocation Amount and provide the amount to the Financial Services Manager (OPG). Subsequent calculations may be undertaken by other agents as prescribed by the Minister if prescribed by regulation.

- Fair Adjustment: Sets out the mechanism for the Ontario Energy Board (OEB) to determine the "relief", including the initial decrease in rates to achieve the 25% decrease, for the period July 1, 2017 to April 30, 2018. Under the legislation, the OEB must determine the amount within 15 business days of the legislation coming into force. The Fair Adjustment also allows the Lieutenant Governor in Council (LGIC) to make regulations prescribing electricity rates for the period May 1, 2018 to June 30, 2021.

- Clean Energy Adjustment: The mechanism to recover the under-collection of GA from eligible consumers during the recovery period. This is an adjustment to a consumer invoice on a monthly basis to repay principal, interest and other financing costs. IESO and each electricity distributor will act as an agent for the financing entity to impose, invoice and collect the clean energy adjustments.

The Ministry has prepared the legislation, recently passed regulation and supporting proposed regulation in close collaboration with key ministries (i.e., TB, MOF, AG and CO), agencies (i.e., OEB, IESO, OPG) and external legal and financial advisors.

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The legislation enables the province to provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework and the authority of the legislature to pass the legislation. The intent is to ensure that the full value of any investment is recoverable.

The legislation also enables the Province to guarantee borrowing of the trust in the event of a market disruption to mitigate OPG's financing risk. Specifics of these guarantees will be determined in agreements to be negotiated later this year.

The regulations further support the legislation in terms of providing clarity on the roles of the Ministry, OEB, IESO, and OPG.

As reported in the TB/MBC submission of May 9, 2017, it is still possible that the full value of the Regulatory Asset may not be purchased. In such cases, IESO may be able to retain the unsold amounts recorded in its variance account for a short period of time.

In addition, the Ministry has worked closely with the Ontario Financing Authority (OFA) and TD Securities (TD), as the Province's external financial advisor, on the financing structure (i.e., legislation, provincial guarantees, OPG's equity injections and IESO's enhanced credit facilities).

In particular, the legislation enables a structure that OFA and TD believe will enable financing at a reasonable cost. Key elements that support this financing structure include:

- OPG issuances of subordinated debt to the Special Purpose Vehicle(SPV)/Trust representing up to 49% of total borrowing; and
- Conditional (springing) guarantees by the Province that will include a backstop in the event of specific and limited events (e.g., changes to legislation that harm investor interests).

Note: The ability to finance and the cost of financing will only be known with certainty once OPG receives the rating of the offering in July/August 2017, seeks short term financing in September/October 2017 and sells the initial offering on the market by the end of October 2017. These milestones are contingent on the creation of the SPV/Trust to facilitate the subsequent sale of the Regulatory Asset by IESO to the SPV/Trust.

<u>OPG Financing / OPG Equity Financing</u>

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The ability to engage in the fair distribution of clean energy costs requires financing during periods where the collection of the clean energy costs is deferred to later years. The legislation outlines mechanisms that are required to enable the financing and meet requirements for rating agencies and investors.

As reported in the May 9, 2017 submission to TB/MBC, IESO will have a funding gap resulting from the reduction in amounts collected over four years. The legislation enables IESO to record the under-collection of GA in a variance account, and deems this under-collected amount to be a "Regulatory Asset".

- OEB would determine rates to allow IESO to recover under-collection recorded in its variance account.

- IESO is authorized to sell all or a portion to the OPG SPV/Trust under the Financing Plan.

As part of supporting the financing and administration of the GA refinancing mechanism, it is expected that OPG would purchase the right to future cash flows from IESO on an ongoing basis.

The sale of the regulatory asset from IESO to the OPG Special Purpose Vehicle (SPV)/Trust creates an "Investment Asset".

- The Investment Asset allows for the recovery of the under-collected GA as the Investment Asset may in turn be sold to other investors or group of investors.

The Ministry has worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation and regulations enables refinancing of the GA.

The general regulation sets out principles, assumptions and further clarity on process for the development of the financing plan and the implementation of clean energy adjustments to recover amounts related to funding obligations incurred under the terms of the financing plan.

Purchases would be financed in part by capital infusions from the Province to OPG for the purposes of stabilizing OPG's capital structure:

- OPG would require monthly "equity injections" from the Province which would be fiscally neutral as OPG would issue new shares to the Province in exchange;

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- Funds from the Province would flow from the Ontario Financing Authority (OFA); and

- The Ministry, OFA and OPG are working through the specific mechanisms, timelines and share features.

- It is anticipated that the initial equity injection would take place as early as June 2017.

In April 2017, the Ministry of Energy received approval for the creation of an operating asset "OPG Share Purchase" and an increase in operating asset allocation for $1.1 billion. This approval was dependent on the passing of the legislation (i.e., the OFHPA that received Royal assent on June 1, 2017).

OPG will provide a two-year forecast of its equity requirements to the Ministry on annual basis, as part of OPG's business plan process. Note: While included in the business plan, equity requirements will not form part of the Ministry of Energy's concurrence process and are expected to be fiscally neutral.

For future funding requirements, the Ministry will seek appropriation through the PRRT process.

OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. Credit ratings will depend on provisions in legislation, regulation and agreements as well as the capital structure of the SPV / Trust. Despite these factors, rating agencies may see the Province's rating forming a ceiling given the contingent guarantees that the Province will provide (described above).

In addition, given the long term nature of this program (i.e., approximately thirty-years), the calculations related to refinancing of the GA set out in the legislation will be subject to fluctuations in Ontario electricity demand, GA and interest rates in the medium to long-term.

- Should electricity demand be higher than forecast (e.g., as a result of greater electrification,), the cost of paying off the debt will be spread over a greater pool of consumption and decreasing future costs for individual ratepayers. Note: The reverse is also true in regards to decreasing demand.

- Should interest costs increase from the assumed 5%, total borrowing costs would rise. Given that this is a unique offering, managing investor confidence will be key to ensure borrowing costs don't rise. Note: The reverse is also true in regards to interest rates being lower than assumed.

<u>IESO's Credit Facilities</u>

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As report in the May 9, 2017 submission to TB/MBC, IESO is in discussions with the Ontario Financing Authority (OFA) regarding an increase to its current "line of credit" with the OFA and OEFC (i.e., credit facilities). The increases are in response to IESO role in the delivery of OFHP and to provide a necessary buffer to fund short periods where OPG SPV/Trust does not fund a shortfall.

IESO advises that this is important not only for IESO solvency, but also to maintain its credit rating (i.e., IESO's contracted suppliers' credit arrangements are often based on IESO maintaining a certain rating).

IESO would require financing to compensate generators should it be required to hold any portion of the unpurchased Regulatory Asset beyond each monthly settlement period. OPG Trust is not expected to access public capital markets monthly, nor is it required to purchase the regulatory asset. Therefore, IESO will need a credit facility for interim financing. IESO may also require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.

The Ministry of Finance (MOF) is seeking an OIC under CIPA to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2 billion. This change will allow the OFA to enhance IESO credit facility as necessary to assist with the timely and successful implementation of the OFHP.

Accounting

As reported in the TB/MBC submission of May 9, 2017, legislation to enable GA refinancing has benefitted from the review and input of IESO/KPMG, OPG/E&Y and OPCD/E&Y.

The legislation establishes mechanisms to enable the funding, sale and transfer between IESO and OPG that respond to the accounting requirements and advice outlined in the March 1, 2017 Cabinet Submission, such as concerns regarding consolidation by the Province.

Under the legislation, OEB will issue an "accounting order" to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. This satisfies accounting concerns regarding OEB oversight in the establishment of the Regulatory Asset.

IESO will effectively sell the "right to collect" deferred future revenue from ratepayers to OPG in return for cash proceeds.

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The legislation and the associated amendments to the Electricity Act, 1998, enable OPG to create OPG's SPV/Trust as a stand-alone entity able to conduct business separately under a Trust agreement.

To recover its revenue shortfall, IESO will establish a Regulatory Asset that it would sell to OPG's SPV/Trust.

The general regulation provides further clarity on the process for establishing the asset and what costs are eligible for inclusion in the asset.

IESO / KPMG

As reported in the TB/MBC submission of May 9, 2017, the Ministry has worked closely with the Independent Electricity System Operator (IESO) and KPMG on the accounting considerations of GA Refinancing (i.e., legislation, applications of accounting standards/principles, minimizing consolidation risks and ability to establish a regulatory asset).

In particular, the legislation provides a structure that IESO and KMPG – in the accounting opinion they provided to IESO – believe meets the necessary accounting requirements. Key elements include:

- An IESO variance account created by the legislation that would be recognized as a "regulatory asset".

- An Ontario Power Generation (OPG) special purpose vehicle (SPV) / Trust that would not controlled by IESO and thus have no consolidation risk for IESO.

In addition, KMPG provided some commentary on the accounting requirement for the "derecognition" of the regulatory asset once it's sold to OPG SPV/Trust. KPMG advised that the regulatory asset should be derecognized upon transfer to the OPG SPV/Trust as IESO no longer has rights or obligations to the asset (i.e., the transformation from a regulatory asset to an investment asset).

OPG/ E&Y

As reported in the TB/MBC submission of May 9, 2017, the Ministry has worked closely with Ontario Power Generation (OPG) and E&Y, on the accounting requirements to enable GA Refinancing with respect to consolidation (i.e., legislation, applications of accounting standards/principles, establishing a special SPV / Trust).

The legislation and the associated amendments to the Electricity Act, 1998, enable OPG to create OPG's SPV/Trust as a stand-alone entity able to conduct

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business separately under a Trust agreement. Note: To further support the operations and mechanics of the OPG SPV/Trust, additional work will be done through the regulations and supporting agreements/documents.

- OPG will have the authority to set up the SPV/Trust and assign it with powers regarding decision-making, funding and ongoing operation.

- OPG and IESO are developing a process that will allow interest payments to occur under GA Refinancing.

Based on the legislation, key operating conditions being addressed in regulations and supporting agreements/documents and no introduction of new conditions that would conflict with OPG's control of the SPV/Trust, E&Y concurs with OPG's assessment that the accounting requirements to support "consolidation" of OPG SPV / Trust with OPG Inc. can be met.

Legal

The legal risks flagged in the May 9, 2017 submission to TB/MBC have not changed.

In principle, refinancing the Global Adjustment (GA) to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets.

Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.

Former Supreme Court Justice Ian Binnie has provided a legal opinion concluding that the current proposal is at a moderately high risk of being a tax, for the following reasons:

The degree of constitutional risk is in direct proportion to the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year from electricity generated by those facilities.

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If the government fails to establish that the relevant electricity generating assets will continue to perform economically over the 30-year period, or if the GA charge is in the opinion of the Court disproportionately backend loaded, the GA will not qualify as a regulatory charge (and would be characterized as a tax).

By shifting costs to the 20-30 year customers, the government may in reality be disproportionately back-end loading the GA with the effect that the 20-30 year consumers will be subsidizing the 1-20 year consumers.

The judges can be expected to be aware of the difficult political problem of high energy costs in in Ontario, and will take a careful look at the government's evidence in support of the re-allocation of the GA.

The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period. Limiting the near-term rate reductions to such amounts which can be justified as counterbalancing disproportionate GA payments during the 2005-2017 period ensures that the statutory 25% reduction is consistent with proportionate reallocation.

Navigant Analysis

Navigant Consulting, Inc. has been retained to provide its assessment of the expected lives of clean energy asset, as well as a fair allocation of the costs of these assets over the expected lives.

Navigant has focused on the costs and benefits of procuring natural gas, wind, and solar generation, as well as costs associated with conservation and the early retirement of Ontario's coal assets.

The Navigant scope of work includes:

- Research and analysis to ascertain the likely service lives of gas generating, solar and wind facilities from a largely technical point of view;
- Analysis related to the expected cost of extending the service lives of facilities under contract with IESO; and
- Determining the annual cost of a refinanced contract that provides the same value as each generator's actual contract but is extended over the expected life of each generator.

Ontario ratepayers currently pay for the costs of its gas, wind, and solar generators over the life of power purchase agreements (PPAs), which generally run for twenty years. Provincial ratepayers also pay for conservation procurement as costs are incurred, and over the period of 2009-2014 paid for the early shutdown of provincial coal plants on an accelerated schedule.

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Given that the clean energy and conservation benefits associated with the assets occur over the entire of life of the asset, there is an opportunity to define an alternative financing methodology that better aligns the costs with benefits.

Navigant is in the process of finalizing its work.

2) Social Programs: PLACEHOLDER FOR SNAP UPDATES

Program Design

Ontario Electricity Support Program (OESP)

The OESP is an income-tested, application-based program that lowers electricity costs of the most vulnerable consumers by a rebate directly on bills. The OESP is currently funded by the rate base.

OESP credits vary by income level and family size, and there are two credit scales that include:

- The basic program credit originally ranged from $30/month to $50/month. The new credit amounts came into effect May 1, 2017 and range from $35/month to $75/month.

- An enhanced credit, which originally ranged from $45/month to $75/month for consumers that are either Indigenous, use electric heat or use certain electrically intensive medical devices. The new credit amounts came into effect on May 1, 2017 and range from $52/month to $113/month.

Ontario's Fair Hydro Plan (OFHP) committed to move the program from the rate base to the tax base, and to expand the OESP by increasing the credit amounts by 50 per cent, making more Ontarians eligible for the program, and aligning the OESP with other social assistance programs to increase uptake. Recently approved legislative changes have enabled the transition of the program to the tax base, which will be enacted by a subsequent proclamation and associated regulatory changes.

In the meantime, amendments to the OESP regulation (O. Reg. 314/15) are being proposed in order to enable alignment of OESP delivery with social assistance programs delivered by MCSS.

The proposed amendments to O. Reg. 314/15 will facilitate the processing of OESP applications by MCSS on behalf of SA clients pursuant to an agreement with the Minister or the OEB, and help meet the government's goal of substantially increasing uptake in the OESP.

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Roles and Responsibilities

Ontario Electricity Support Program

The OEB will continue to deliver the OESP under the current legislative framework until the variance account is depleted. When legislative changes to shift the program from the rate base to the tax base are proclaimed, the OEB will continue to administer the program, but certain decision making responsibilities and oversights will shift to the Minister of Energy.

Second, OEB and its OESP delivery consultant – ICF Consulting – will help MCSS to expeditiously prepare for implementation by providing training materials and technical support for MCSS system changes. The amount of the original contract between ICF and the OEB is $12 million. Cost impacts are expected to be minimal and are covered by the OEB's existing authorities to cover administration costs related to the OESP using the OESP variance account.

MCSS will be responsible for implementing the proposed regulatory changes once an agreement has been entered into between the Minister and/or the OEB and MCSS, which were designed to support a strategy jointly developed by ENERGY, the OEB, and MCSS to meet the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery.

The IESO will continue to manage payments to utilities, unit sub-meter providers, and the OEB in relation to OESP credit delivery and program administration costs. When legislative changes are proclaimed, IESO will begin reporting costs to the Ministry to support forecasting and audit.

4.0 BACKGROUND

Legislation to Implement Ontario's Fair Hydro Plan

On May 11, 2017, the government introduced Bill 132, *Fair Hydro Act, 2017* (FHA) which is comprised of two Schedules:

- Schedule 1 – is the *Ontario Fair Hydro Plan Act, 2017* (OFHPA) and related amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* (OEBA); and

- Schedule 2 – includes the electricity social program-related amendments to the *Ontario Energy Board Act, 1998.*

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On May 31, 2017, the Bill passed third reading and received Royal Assent on June 1, 2017.

Legislation to Implement GA Refinancing

To enable implementation of GA refinancing and mitigate financing, accounting and legal risks, the *Ontario Fair Hydro Plan Act, 2017* outlines:

- Roles and responsibilities for the OEB, IESO, OPG and the Province;
- A detailed Preamble, Purpose and Definitions;
- Details with respect to Fair Adjustment, Clean Energy Adjustment, Implementation (i.e., Financial Services Manager, Fair Allocation Amount, Financing Plan), Regulatory Asset and Investment Asset;
- Scope of provincial undertaking and enabling the Province to provide guarantees and indemnities to back stop that undertaking; and
- Amendments to other acts (i.e., *Electricity Act* and *Ontario Energy Board)*.

The legislation defines the mechanisms and framework that would achieve the refinancing of the GA.

The Ministry has worked closely with key ministries (i.e., TBS-OPCD, MOF-OFA/IGS, MAG, CO), OEB, IESO, OPG and their independent advisors and third party financing in the development of the legislation.

To support the implementation of GA refinancing under the *Fair Hydro Act, 2017*, the Ministry has developed supporting regulation:

- Creating a new Regulation ("General Regulation") to be made under the Ontario Fair Hydro Plan Act, which is Schedule 1 of the Fair Hydro Act, 2017.
- The proposed regulation supports key aspects of the OFHPA including:
    - The details around the establishment and transfer of portions of the regulatory asset;
    - The establishment of the OFHPA-related deferral and variance account to be held by the Independent Electricity System Operator (IESO);
    - The definition and details regarding the "funding obligation" which relates to the recovery of moneys borrowed by OPG/SPV to fund GA refinancing;

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- Methodology related to the calculation of the Clean Energy Adjustment (i.e., the total amount payable by electricity consumers each reference period);
- Determination of rates and amounts related to the recovery of the Clean Energy Adjustment under which regulated rate consumers must be invoiced and which must be used in the calculation of rates for non-regulated consumers;
- Requirements on the IESO, LDCs, retailers and unit sub-meter providers (USMPs) in relation to the collection of amounts in respect of the Clean Energy Adjustment from electricity consumers;
- OEB's role in the review of fees incurred by Financial Service Manager (i.e., the fees related to the ongoing operation of the Financial Services Manager during the period of GA Refinancing);
- Details related to the methodology to be used by the Minister in the calculation of the Fair Allocation amount (i.e. a calculation of the fair allocation of clean energy costs over time);
- Further criteria related to the development and implementation of the Financing Plan by the Financial Services Manager.

Ontario Electricity Support Program (OESP)

The OESP launched on January 1, 2016. By the end of May 2017:

- Almost 200, 000 have been enrolled in the program, which is approximately 35% of all potentially eligible low-income customers in Ontario.
- Over $60 million in credits have been provided to vulnerable consumers.
- 172 intake agencies have been mobilized to assist low income consumers to apply for the OESP.

5.0 TIMING

Under the *OFHPA*, a portion of the GA will be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

Some of Ontario's Fair Hydro Plan commitments for the OESP came into effect on May 1, 2017 (e.g., removal of the OESP charge from customer bills; expanding credit amounts and program eligibility). Remaining changes associated with moving the program from the rate-base to the tax-base will be proclaimed at a later date when the OESP variance account is depleted.

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Additional regulatory amendments needed to implement this legislative change will come into effect on the same date.

Further work to enable GA refinancing to be undertaken Summer/Fall 2017:

- Minister to determine the Fair Allocation Amount for each reference period;
- OPG/SPV to produce Financing Plans that would set out funding obligations for each reference period consistent with the Fair Allocation Amount;
- IESO to record deferral amounts and establish the regulatory asset;
- OPG/SPV to begin purchasing of investment asset; and
- OPG to work with lenders and credit rating agencies in establishing the vehicles for selling of investment asset interests.

6.0 FINANCIAL IMPACT

1) GA Refinancing:

The General regulation would support the implementation of GA refinancing, including methodology, principles and assumptions related to various aspects of the initiative (e.g., fair allocation amount). By achieving the accounting treatment described in this, and previous, submissions, the initiative is not expected to have a financial impact.

2) Social Programs:

Cost impacts for the amending O. Reg. 314/15 are expected to be negligible. There is significant overlap between the financial eligibility for the OESP and other social assistance programs, resulting in very few occurrences where SA clients do not meet the current OESP eligibility requirements.

As reported in the TB/MBC submission of May 9, 2017 and as approved in the TB/MBC submission of March 1, 2017 and confirmed in Vote-Item 2905-1, the financial impacts of the social programs for the period July 1 2017- March 31 2018 are as follows:

Program	2017-18 Budget
Ontario Electricity Support Program	140,000,000

The cost forecasts for these programs were made through a combination of Ministry analysis that utilized consumption data and local distribution

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company rates to estimate program costs, and information provided to the Ministry by the Ontario Energy Board. Cost forecasts are subject to some uncertainty surrounding consumer uptake, future consumption levels, and future rates as set by the OEB.

ENERGY will report back to TB/MBC in fall 2017-18 with an update on out-year projections following analysis on rate applications before the Ontario Energy Board.

The IESO manages a variance account for the OESP, which holds the difference between the amount of OESP charge collected from the rate base, and the amount of OESP paid out in the form of credits. The amount in the variance account is about $106 million as of May 2017. These funds will be used to fund the OESP program until the variance account is depleted, at which point the transfer payment line will be used to finance the program costs. Due to the potential range in costs of the OESP, which will depend on program uptake and any costs associated with supporting increased participation, the set allocation is required despite the variance account.

Per the Regulations, the Ministry has the authority to request social program costs forecasts from the OEB.

7.0 STAKEHOLDER ANALYSIS

Stakeholder	Comments
Eligible Electricity Consumers	• As a result of OFHP, eligible electricity consumers will welcome the immediate reduction in electricity bills that they will experience in the short to medium term.
Electricity Agencies	• In the development of legislation to enable implementation of OFHP, the Ministry has been working closely with OEB, IESO and OPG and their independent advisors.
Local Distribution Companies (LDCs)	• The Ministry hosted LDC workshop sessions on March 16, April 19, and May 17, 2017. Nearly 40 LDC representatives attended in person or by phone and were briefed on OFHP, including implementation. The Ministry has also held separate engagements with LDCs in particular to the social programs.
Government (MCSS)	• ENERGY has been engaging with MCSS and the OEB for several months to develop a strategy for meeting the government's objective of substantially increasing OESP uptake by aligning it with SA program delivery. The joint strategy instructed the recent amendments to the OEBA, and the changes to O. Reg. 314/15 that are being proposed in this submission.

8.0 RISK ASSESSMENT AND MITIGATION – UPDATES

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
1) Global Adjustment (GA) Refinancing			
Maintaining OPG's Financial Viability / Capital Structure	L	H	• OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Energy). • Equity injections are necessary to support OPG as the owner and manager of GA refinancing. The equity injections allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • In order to provide financing, OPG would develop a special purpose vehicle (SPV). • OPG has a great deal of experience managing the risks associated with borrowing through its experience developing capital-intensive generation projects as well as their management of Nuclear Funds. • OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. **<u>Update:</u>** • Work is ongoing to finalize a draft term sheet that would serve as the basis for the Master Subscription Agreement between OPG/ENERGY and OFA. In addition, OFA and ENE to develop Service Level Agreement for monthly cash management services.
OPG Securing Capital Markets Funding	L	H	• OPG will need to obtain a portion of the required funding from the capital markets. • The Ministry, IESO, OPG and other ministries have worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation enables refinancing of the GA. • In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will use 100% debt financing to purchase the regulatory asset, financing 51% through capital markets as senior

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			debt, with the remaining 49% being provided by OPG as subordinated debt. U • The 49% subordinated debt from OPG will be financed through debt OPG issues in its own capacity, through capital markets (up to 5%) with the remainder (44-49%) financed through equity injections from the Province. This will help to ensure OPG's capital structure remains in line. **Update:** • The legislation and proposed general regulation were developed with input from third-party financiers (i.e., dealers) to ensure that the *OFHPA* enables the refinancing of the Global Adjustment (GA). • OPG is continuing to work through the mechanics of securing financing (e.g., engaging rate agencies, etc). • In addition, in order to provide assurances to those with claims against the "Financing Entity" (e.g., 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 IESO are carried out including obligations related to collecting and remitting clean energy adjustments. Working is ongoing.
Managing Interest Cost Risks	M	H	• OPG's Special Purpose Vehicle (SPV) / Trust is borrowing in its own corporate capacity from the capital markets. • Risk that it may incur a higher interest cost than what was originally forecast (i.e., 5%). **Update:** • The legislation and proposed general regulation were developed with input of third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the GA

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			• The provincial guarantee as set out in legislation should provide comfort to dealers, thereby increasing the likelihood of achieving more favourable interest rates. • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
Provincial Guarantee is Triggered	L	H	• The legislation sets out that the province could provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework. The intent is to ensure that the full value is recovered. • The legislation also enables the Province to: o Through the Ministers of Energy and Finance upon approval by Lieutenant Governor in Council, agree to guarantee any debts and obligations **<u>Update:</u>** • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
IESO Failure to Establish a Regulatory Asset / Maintaining IESO Financial Viability	L	H	• Under the legislation, the Ontario Energy Board (OEB) is providing the necessary oversight required to enable IESO the ability to establish a Regulatory Asset. • To recover its revenue shortfall, IESO will establish it as a Regulatory Asset that it would sell to OPG's SPV / Trust. • The OEB will issue an accounting order to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. • IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			OPG SPV, at any time, does not purchase a portion of the regulatory asset. **<u>Update:</u>** • IESO has received an accounting opinion from KPMG that concurs with IESO's view that it has the ability to establish the regulatory asset. • In addition, OFA is planning to increase IESO's credit facility to support its role in implementing the OFHPA. OFA is seeking an OIC that would authorize the OFA to borrow an additional $2.0 billion, which would be in addition to existing authority for the Minister of Finance to provide loans to the OFA, to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requested requirements.
GA Refinancing Approach is Viewed as an Indirect-tax	L	H	• In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets. • Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax. • The legislation attempts to mitigate the risks identified above by requiring that

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Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy
			the costs moved into the future align with the benefits that future rate payers will receive. To create the flexibility to achieve this requirement, the amounts of the costs and benefits will not be enshrined in the legislation. **Update:** • The legislation was designed to mitigate this risk. • The Fair Allocation Amount, the process for which is further clarified under general regulation, will help to ensure that the allocation of costs associated with electricity generation facilities is reflected over the term of GA Refinancing.
2) Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP) *3)*			
Social Program Cost Estimating	M	M	• OESP costs will depend on uptake of the program, which will be impacted by the 50% increase in credits, enhanced eligibility, and work with MCSS on aligning OESP delivery with their social assistance programs • Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to ensure access to data for regular forecasting. • A mechanism would be created in regulation to ensure that all parties are aligned in the yearly forecasting and costing of the program. • Social program regulations include provisions to require the IESO and the OEB to provide the Ministry with information required to update cost projections based on up-to-date figures.

9.0 JURISDICTIONAL ANALYSIS

CONFIDENTIAL

GA Refinancing approached outlined in the legislation is modelled on frameworks used in the United States (e.g., Duke Energy), where utility debt is financed by selling it to investors with recovery from ratepayers over time.

The Ministry conducted no jurisdictional analysis related to the expansion of social program funding for OESP as the structure of Ontario's electricity sector, and thus the delivery of these benefits, is unique.

10.0 PERFORMANCE MEASURES

With respect to OESP, ENERGY will continue to track the performance of the OESP program with a focus on collecting metrics related to program uptake.

The Ministry and the OEB have engaged with the Behavioral Insights Office at the TBS to consider ways to increase program participation. Discussions are ongoing.

12.0 RECOMMENDATION

1) The Ministry of Energy is reporting back to the Treasury Board/Management Board of Cabinet (TB/MBC) on the following:

    i. Implementation of Global Adjustment (GA) Refinancing; and

    ii. Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP).

CONFIDENTIAL

TREASURY BOARD / MANAGEMENT BOARD OF CABINET
REQUEST ASSESSMENT NOTE

Ministry:	Energy
Meeting Date:	June 27, 2017
Agenda Class:	Major Item
Last reviewed by: TB/MBC – June 13, 2017	**Tracking to: Fast Track** LRC/Cabinet – June 27, 2017

SUBMISSION TITLE:	Report back on Ontario Fair Hydro Plan – Regulations Part 2 of 2

I. DECISION BEFORE THE BOARD

Receive the second of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding Cabinet for approval

II. RECOMMENDATIONS:

• Receive the second of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to for approval including: o Global Adjustment Refinancing; o Ontario Electricity Support Program (OESP)	*Receive*
Note key aspects and program parameters of the proposed regulations	*Note*
Recommend the proposed regulations proceed to Cabinet for approval	*Recommend*
• Direct the Ministry to report back to TB/MBC on: o Details of its overall strategy to substantially increase OESP enrolment (note: includes increasing Social Assistance clients enrolled in OESP).	*Direct*

III. FINANCIAL SUMMARY

$ Millions	**2017-18**	**2018-19**	**2019-20**
Initiative cost requested	0.0	0.0	0.0
Initiative cost recommended	0.0	0.0	0.0
Recommended program base: Global Adjustment Refinancing*	0.0	0.0	0.0
Electricity social programs – OESP ^	140.0	261.0	325.0
Offset Recommended	0.0	0.0	0.0
Total Potential Fiscal Impact	0.0	0.0	0.0

*As part of Global Adjustment Refinancing, an Operating Asset for $1.1B for OPG Share Purchase was included as part of 2017 Budget.

^Multi-year appropriation approved as part of the 2017 Budget.

IV. KEY COMMENTS AND CONSIDERATIONS

In March 2017, the Ministry received Treasury Board/Management Board of Cabinet (TB/MBC) approval for electricity price mitigation measures that support a 25% electricity bill reduction on average (including the 8% Ontario Rebate For Electricity Consumers announced in 2016). The Ontario Fair Hydro Plan (OFHP) was announced on March 2, 2017.The plan includes refinancing a portion of the Global Adjustment (GA) and helping vulnerable electricity consumers ("social programs") amongst other initiatives for residential consumers (see Appendix C). The Ministry was directed to report back to TB/MBC on a number of items including the proposed legislation required to enact the initiatives under

OFHP (see Appendix D).

Report backs to date include:

- May 9th 2017, the Ministry provided an implementation update on the OFHP and the enabling legislation. TB/MBC recommended the proposed legislation proceed to Cabinet for approval and Ontario's *Fair Hydro Act, 2017* ("the Act") received Royal Assent on June 1, 2017. The Ministry was directed to report back to TB/MBC on a number of items including the proposed regulations required to support the implementation of the OFHP (see Appendix E).

- June 13, 2017, the Ministry provided the first of two updates on next steps in implementation of the OFHP, specifically providing the proposed regulations that would establish and amend the necessary regulations under the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998*, *Ontario Rebate for Electricity Consumers Act, 2016*, and the *Fair Hydro Plan Act, 2017*.

Proposed Regulations

The current submission before the Board is the second bundle of proposed regulations supporting implementation of the OFHP and would establish and amend regulations under the *Ontario Energy Board Act, 1998 and the Ontario Fair Hydro Plan Act, 2017*, related to GA Refinancing and the Ontario Electricity Support Program (OESP).

Implementation of Global Adjustment (GA) Refinancing

On March 2, 2017, as part of OFHP, the government announced that a portion of the GAs would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system).

As Part 2 of the regulations report back (Part 1 was before the Board June 13, 2017), The ministry is proposing a new General Regulation under the OFHPA that would support the implementation of the refinancing of the GA by ensuring that the mechanisms for refinancing of GA as set out under the *OFHPA* are in place in time for the first debt offering in fall 2017:

- Roles and responsibilities of the Financial Services Manager (FSM) (i.e., OPG), OEB, and IESO in relation to the refinancing of GA
- Require that the clean energy adjustment be a specific line item on bills and that LDCs keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM)
- Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account
- Provide further criteria related to the development and implementation of the financing plan by the FSM
- Provide for further principles that must be taken into account by the Minister of Energy in the calculation of the fair allocation amount (i.e., commodity prices, interest rates, inflation, population, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

IESO Credit Facility

The Ministry of Energy indicates the IESO is responsible for financing short to medium term funding shortfalls in the implementation of Ontario's Fair Hydro Plan. This was noted by the Board as part of the legislative package brought on May 9, 2017.

To support this, the Ministry of Finance (MOF) is seeking an Order in Council (OIC) to authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority (OFA) in an amount of up to $2B, which will provide the OFA with the capacity to provide additional loans to the IESO in order to fulfil the commitments under the Fair Hydro Act, 2017. The Capital Investment Plan Act (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").

Under the *Ontario Fair Hydro Plan Act, 2017,* the IESO will 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. During this period, Global Adjustment amounts collected from ratepayers will be insufficient to fund the IESO's contractual obligations to electricity producers and service providers. The *Ontario Fair Hydro Plan Act, 2017* gives the IESO the right to recover those deferred amounts from specified consumers in the future (the "regulatory asset") and the ability to sell the regulatory asset to a financing entity. 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 from selling the regulatory asset would be used by the IESO to fund the current Global Adjustment shortfall.

There is expected to be initial and ongoing IESO cash flow requirement 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 (planned for later in summer 2017; however, exact timing is subject to actual implementation). Even once the SPV is set up to borrow, there is expected to 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 expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset.

The Ministry indicates further work to enable GA refinancing will be undertaken Summer/Fall 2017:

- Minister to determine the Fair Allocation Amount for each reference period;
- OPG/SPV to produce Financing Plans that would set out funding obligations for each reference period consistent with the Fair Allocation Amount;
- IESO to record deferral amounts and establish the regulatory asset;
- OPG/SPV to begin purchasing of investment asset; and
- OPG to work with lenders and credit rating agencies in establishing the vehicles for selling of investment asset interests.
-

(Energy, perhaps additional section outlining what will regularly be coming before TB/MBC once OFHP is underway)

Delivery of Electricity Social Programs:

Ontario Electricity Support Program

The ministry is proposing amendments to the existing Ontario Electricity Support Program (OESP) regulation that will enable the Ministry of Community and Social Services to help new and existing social assistance clients to enroll in the OESP.

The amendments are in support of efforts to increase enrollment by reducing application burdens on target populations and enable the development of automatic OESP enrollment procedures for some

populations already receiving other government programming (in this case already receiving social assistance).

- MCSS and Energy intend to bring a temporary resources request to the July 25, 2017 TB/MBC meeting. Early indications suggest about 50 temporary FTEs within MCSS and Energy providing the funding to support increasing enrolment of Social Assistance clients onto OESP.
- The March 1, 2017 Board Minute included direction to pursue additional measures to substantially increase OESP take-up. The Ministry indicates OESP enrolment is about 35% of the targeted low-income population (about 575,000 target population). Stats provided by MCSS indicate just over 109,000 Social Assistance clients being eligible for OESP (as they receive hydro bills directly), but MCSS does not know the portion of the 109,000 that are already OESP recipients.
    - As part of the July 2017 joint submission from MCSS and Energy, Energy should provide commentary on its overall strategy to move OESP towards 100% participation (This engagement of MCSS would be part of the strategy).

The Ministry indicates it will return to LRC/Cabinet in the Fall 2017 with a proclamation OIC to finalize transfer of the OESP from the IESO variance account to government funding. This timing is consistent with previous submissions and ensures the variance account is drawn down before government funding is provided.

On-Reserve First Nations Delivery Credit (FNDC)

The Ministry is proposing a correction to the recently established FNDC regulation to add "licensed distributor" in front of "serving Cat Lake First Nation."

Analysis/Risks

TBS staff noted as part of the May 9, 2017 submission focused on OFHP legislation indicated that financial, legal, and accounting external opinions and assessments of the planned approach to GA refinancing are supportive of the Ministry's intended plan for implementing Ontario's Fair Hydro Plan, noting the opinions and assessments must be revisited once key implementation details are finalised (e.g. draft legislation, regulations, special purpose vehicle documents, terms of conditions within various other agreements).
Future reassessments, Navigant's analysis of expected lifecycle for existing generation infrastructure (key), and other factors such as Ontario electricity demand, interest rates in the medium to long-term, and the rate of inflation may contribute to fiscal plan implications emerging over time.

This assessment has not changed with the current submission. The Ministry indicates Navigant's analysis is still pending along with finalized details for elements such as the special purpose vehicle documents, and terms/conditions within various other agreements.

Financial

- The multi-year fiscal profile identified by the Ministry as part of this submission (below) are consistent with the voted appropriation approved for the Ministry through the 2017 Budget. Cost forecasts for these programs were made through a combination of Ministry analysis that utilized consumption data and local distribution company rates to estimate program costs, and information provided to the Ministry by the OEB.

$M	2017-18	2018-19	2019-20	2020-21
Ontario Electricity Support Program (OESP)	140	261	325	375

- The Ministry notes it is currently assessing the potential impact of the Hydro One rate application and will report back to TB/MBC with the potential out-year impacts of this rate application.
- The allocations for the social programs are based on a number of variable inputs such as program uptake, electricity market conditions and forecasting models that are subject to change and represent an on-going fiscal risk. Sensitivity analysis will allow the government to develop a risk based outlook to understand potential fluctuations in the cost of these initiatives.
- There are no sunset dates for the programs and it is important to understand the full cost of the initiatives (including electricity price projections) for the longer term, beyond the year 2021-22.
- Lastly, further information is required on the detailed consumer impacts with assumptions and methodologies specified and documented to support better decision making and achieving the intended program goals.

Accounting

- The fiscal impact associated with the OFHP will be determined by how the series of complex transactions are accounted for on the Province's Consolidated Financial Statements which are prepared in accordance with public sector accounting standards established by CPA Canada. A number of details yet to be finalized through the regulations and various commercial agreements will impact the final accounting analysis.
- While accounting for the social programs and the Affordability Fund as transfers is fairly straightforward, the accounting for the GA mechanism is relatively more complex. To mitigate accounting risk associated with the latter, both the IESO's and OPG's external auditors have provided independent accounting opinions on the appropriate accounting for elements of the OFHP structure related to each entity, contingent on finalization of regulations and commercial agreements. Based on the audited financial results for these organizations, supported by the anticipated accounting opinions, the Office of the Provincial Controller will prepare the Province's consolidated financial statements based on public sector accounting standards.
- At this time, the Auditor General (AG) has not identified any concerns related to the accounting for the social programs or the Affordability Fund; however, the AG has voiced concerns regarding the planned accounting treatment for the OFHP as related specifically to the GA component which is expected to impact the Province's financial results for the first time in 2017-18. The AG has also publicly communicated her opposition to a change in the IESO's accounting policy to reflect rate regulated balances on its books. The Province supports the IESO's accounting treatment as more fairly presenting the economic substance of the entity's market-related activities.
- The AG is currently reviewing the Province's accounting analysis related to the Affordability Fund which reflects a $100M transfer payment to be reflected in the Province's 2016/17 Public Accounts.
- If the AG does not concur with the Province's accounting treatment, including the change in accounting treatment by the IESO, the AG may provide a qualifed audit opinion on the Provinces' financial statements in the Public Accounts.

Legal

- The ministry has stated the legal risk remains the same as identified at the May 10, 2017 Cabinet meeting regarding the *Fair Hydro Plan Act, 2017*, including and related to:

GA Refinancing

- In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets present only a low risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion

of the benefit they receive from the useful life of the assets.

- Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the asset, but rather is doing so in order to lower the price in the short term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.
- The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period.

The Ministry has provided an update to key risks including mitigation strategies (see Appendix G). The overview of strategic risks, from May 9 2017 TB assessment note, has been brought forward providing context for the more operational nature of Appendix G.

In addition to the risks cited in Appendix G in the implementation of the OFHP, a number of supporting arrangements are being sought by the IESO and OPG, including the following:

<u>Indemnities for OPG (Ontario Power Generation) and IESO</u>

- OPG and IESO have requested indemnities from the Province for their respective Directors, Officers and employees in relation to their roles in the implementation of the OFHP. Ministry of Energy staff are putting together a section 28 approvals submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO.sw
    - IESO and OPG have stated that these indemnities are required for their participation in the implementation of the OFHP Act.
    - Draft materials from Energy state that the likelihood of this indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
    - Energy has confirmed in its draft request letter that it bears responsibility for funding, within its approved allocation, for payments associated with the indemnities provided under the Agreements.
- As currently proposed, the Minister of Finance will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.

<u>Provincial Support Agreement or Provincial Guarantee Agreement</u>

- As part of the OFHP and in order to provide support to those with claims against the Financing Entity (i.e., planned to be the OPG Trust) and with the ultimate objective of providing the highest possible credit ratings (and corresponding impact on interest costs to the ratepayers), the Province has been asked to provide both a Service Guarantee and a Performance Guarantee to support obligations of the IESO and the debt instruments issued by the Financing Entity.

<u>Additional Report Backs</u>

The Ministry has been asked to provide an update on outstanding report backs from OFHP related previous submissions. Appendix H contains the table sent to the Ministry, update is still pending.

As indicated earlier, this assessment note recommends Energy provide, as part of the joint submission with MCSS tracking to July 25, 2017 TB/MBC, an overview of its strategy to significantly increase OESP

enrolment.

Name of analyst:	James Strang/ Afshin Malekzadeh with input from OPCD, OFA and CoE	**Phone number:**	416-327-2071
Date:	June 24, 2017	**Log number:**	
Branch / Division:	GGPR / PEMD / Treasury Board Secretariat		

APPENDIX A: PROPOSED MINUTE

Receive the second of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

i) Note that the proposed new regulations and amendments to existing regulations include the following program parameters:

Electricity Social Programs:

Ontario Electricity Support Program (OESP)

a) To enable Ministry of Community and Social Services to sign up social assistance clients for OESP based upon Ontario Works (OW) and Ontario Disability Support Program (ODSP) eligibility criteria, and matching this eligibility to the existing OESP household size / income credit table.

On-Reserve First Nations Delivery Credit (FNDC)

a) A correction to the recently established FNDC regulation to add "licensed distributor" in front of "serving Cat Lake First Nation."

Implementation of Global Adjustment (GA) Refinancing:

a) Roles and responsibilities of the Financial Services Manager (FSM) (i.e., OPG) and OEB and IESO in relation to the refinancing of GA:
b) Require that the clean energy adjustment be a specific line item on bills and that LDCs keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM);
c) Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account;
d) Provide further criteria related to the development and implementation of the financing plan by the FSM;
e) Provide for further principles that must be taken into account by the Minister of Energy in the calculation of the fair allocation amount (i.e., commodity prices, interest rates, inflation, population, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

ii) Recommend the following proposed new regulations and amendments to existing regulations proceed to Cabinet for approval:

a) New General Regulation to be made under Part I of the *Ontario Fair Hydro Plan Act, 2017*, which is Schedule 1 of the *Fair Hydro Act, 2017*
b) Amendments to O. Reg. 197/17 (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998* (OEBA)

c) Amendments to O. Reg. 314/15 (Ontario Electricity Support Program) to be made under the OEBA

iii) Direct the Ministry to report back to TB/MBC with details of its overall strategy to substantially increase OESP enrolment, as part of the pending joint submission with MCSS to increase Social Assistance clients enrolled in OESP.

APPENDIX B: FINANCIAL TABLES

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE					TABLE B1
		Fiscal Plan Basis			*Appropriations Basis*
$ Millions		**2017-18**	**2018-19**	**2019-20**	**2017-18**
Initiative cost		0.000	0.000	0.000	
Expense changes:					
	Oper	0.0000	0.000	0.0000	0.0000
	Oper	0.0000	0.0000	0.0000	0.0000
Total Fiscal Impact		**0.0000**	**0.0000**	**0.0000**	**0.0000**

APPENDIX C: OFHP OVERVIEW

Ontario Rebate for Electricity Consumers

The *Ontario Rebate for Electricity Consumers Act, 2016* will reduce electricity costs by 8 per cent on the amount before tax, an average savings of about $130 annually or $11 each month, for about five million residential consumers, farms and small businesses.

Eligible rural electricity ratepayers will receive additional relief, decreasing total electricity bills by an average of $540 a year or $45 each month.

Commercial, institutional and industrial ratepayers would also benefit from up to 34 per cent lower electricity costs through the expansion of the Industrial Conservation Initiative.

Details:

- The province is reducing costs for eligible rural ratepayers by providing additional funding to the Rural or Remote Rate Protection (RRRP) program.
- The Industrial Conservation Initiative (ICI) provides a strong incentive for large electricity consumers to shift their electricity consumption to off-peak hours to reduce their bills by up to one-third. Ontario intends to expand ICI to help reduce cost pressures on the electricity system and enable more consumers to reduce their electricity bill by up to one third.
- Ontario has removed the Debt Retirement Charge from residential electricity bills and introduced the Ontario Electricity Support Program (OESP) to provide a monthly credit to low-income households who have applied and meet the eligibility requirements to help reduce electricity costs.

Fair Hydro Act

The *Ontario Fair Hydro Act, 2017* reduces electricity bills for all residential consumers and as many as half a million small businesses and farms, starting this summer. Lower-income Ontarians and those living in eligible rural and northern communities will receive even greater reductions, as much as 40 to 50 per cent. As part of this plan, rate increases will be held to the rate of inflation for four years.

These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills. Taken together, these changes are delivering the largest reduction to electricity rates in Ontario's history. To facilitate these immediate savings, the legislation:

Details:

- Enables the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This will be accomplished through refinancing a portion of the Global Adjustment (GA), resulting in significant and immediate rate reductions.
- Modifies and broadens the Ontario Electricity Support Program (OESP) to expand benefits and ensure it is funded by government instead of ratepayers, reducing bills for all.
- Enhances the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to a total of approximately 800,000 customers and shift costs from ratepayers to provincial revenues. The enhancement will benefit customers served by local distribution companies (LDCs) with the highest distribution rates. These savings will begin July 1, 2017.
- Provides on-reserve First Nations households serviced by licensed distributors with a 100 per cent credit of the delivery line on their monthly electricity bills, starting July 1, 2017.

APPENDIX D: PREVIOUS TB/MBC MINUTE (MARCH 1, 2017)

Approve electricity rate mitigation actions that support up to a 25% electricity bill reduction (including the 8% reduction announced in 2016) for an average household in 2017.

In this regard, the Board:

i. Direct the Ministry of Energy to implement electricity rate mitigation for all electricity consumers eligible to be billed under the Ontario Energy Board's Regulated Price Plan (RPP) and any other consumers who would be eligible for RPP if their electricity account was with a licensed distributor by:

   a) Subject to completed legal, accounting and financing risk assessments, refinance the Global Adjustment (GA) in order to partially defer RPP-eligible ratepayer GA costs by reducing projected after-tax electricity costs for a typical residential customer consuming 750kWh per month in 2017 by about 16%. Total projected bill increases will be kept in line with CPI until the end of 2021. From 2022 onwards, bills will increase at a rate that ensures gradual recovery of the accumulated debt by 2048, with escalation in subsequent years set above Consumer Price Index (CPI) in order to ensure that bill increases due to repayments are capped at around 10% of the total bill.

   b) Direct the Ministry to report back to TB/MBC by Spring 2017, prior to going to LRC with any legislation, on the approach to refinance Global Adjustment , including, but not limited to:

      - Formal accounting opinions from OPG and IESO auditors.
      - Completed legal, financing and accounting risk assessments. Assessments to include, but not limited to proposed legislation, technical aspects such as Eurig analysis, and risk to borrowing (in discussion with the OFA).
      - Report on the multi-year profile of GA smoothing, identifying specific assumptions.
      - Report on sensitivity analysis completed as assumptions vary, such as under different recovery rates and periods.
      - Overall risk mitigation plan addressing completed legal, accounting and financing risk assessments.

   c) If a non-fiscal mechanism cannot be established:
      1. Direct the Ministry to report back to Cabinet and TB/MBC with options for achieving a comparable level of electricity rate mitigation in the most cost effective way, in order to minimize the impact on the province's fiscal plan.
      2. Note costs to government of proceeding if cost of refinancing of Global Adjustment is recognized as an expense in the fiscal plan of up to $2,534,000,000 in 2017-18, $2,668,000,000 in 2018-19, $2,942,000,000 in 2019-20, $3,420,000,000 in 2020-21 and $3,232,000,000 in 2021-22.

ii. Broadening the Rural or Remote Rate Protection (RRRP) program to mitigate distribution charges for customers of Local Distribution Companies (LDC) with some of the highest distribution rates, and moving the program from a ratepayer funded program to a government funded program beginning in 2017, including:

   a) Harmonizing distribution cost for customers with the highest distribution rates (Hydro One (R1 and R2 rate classes), Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power (Parry Sound service

territory) and Northern Ontario Wires Inc) at the lowest distribution rate paid by the average consumer of the LDCs noted by fall 2017.

b) Note costs estimated at up to $459,000,000 in 2017-18, $472,000,000 in 2018-19, $484,000,000 in 2019-20, and $497,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to broaden RRRP.

e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the broadened program now government funded
- Report on and assessment of impacts of consolidation of LDCs
- Assessment of distribution rates and implications for the program

iii. Expanding every benefit level of the Ontario Electricity Support Program by 50%, moving the program from a ratepayer funded program to a government funded program beginning in 2017 and pursuing additional measures to substantially increase take-up.

a) Note costs estimated at up to $186,000,000 in 2017-18, $261,000,000 in 2018-19, $325,000,000 in 2019-20, and $375,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

c) Direct the Ministry to work Treasury Board Secretariat (Behavioural Insights Unit, Centre of Excellence for Evidence-Based Decision Making) to accelerate/ maximize program uptake.

d) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including fiscal plan implications to expand OESP.

e) Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:

- Identify eligibility criteria, and refinements being made.
- Current program outcomes identified and results achieved to date.
- Establishing program performance management framework including targets for the expanded program now government funded.

iv. Establishing a new government funded Affordability Fund to provide energy efficiency measures to electricity customers who do not qualify for existing low income conservation programs and who have difficulty paying their electricity bills.

a) Approve to commit up to $200,000,000 on a multi-year basis to support the Affordability Fund.

b) Direct the Ministry to report back to TB/MBC with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

v. Establishing a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve.

a) Note costs estimated at up to $20,000,000 in 2017-18, $20,000,000 in 2018-19, $20,000,000 in 2019-20, and $20,000,000 in 2020-21 and on-going as part of the 2017-18 PRRT planning process.

b) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

c) Direct that any underspending related to any of the initiatives be returned to Treasury Board/Management Board of Cabinet and not be reallocated within the Ministry.

vi. Expanding the Industrial Conservation Initiative (ICI) by reducing the eligibility threshold to 500kW to enhance competitiveness for Class B manufacturers beginning July 2017.

a) Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, results achieved to date versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.

vii. Direct the Ministry:

a) To work with Treasury Board Secretariat and the Ministry of Finance on the development of a comprehensive risk-based costing, including forecast models and sensitivity tests on assumptions and financial estimates, for the electricity mitigation initiatives.

b) To report back to TB/MBC through regular updates including quarterly reports and the 2018-19 Program Review, Renewal and Transformation (PRRT) on the status of implementation, and revised out-year expenditure requirements if applicable.

c) To continue to work with the Ontario Energy Board, the Independent Electricity System Operator and Ontario Power Generation, through the Long-Term Energy Plan 2017, to further reduce electricity rates across the system.

d) To work with the Ministry of Finance, Treasury Board Secretariat, Cabinet Office and Office of the Premier on an integrated communications strategy.

APPENDIX E: PREVIOUS TB/MBC MINUTE (MAY 9, 2017)

Receive a report back providing an update on current implementation status, including proposed legislation, of the Ontario Fair Hydro Plan, previously at TB/MBC March 1, 2017 and announced on March 2, 2017.

In this regard, the Board:

i) Note that the proposed Fair Hydro Act, 2017, includes:

Electricity Social Programs:

a) Establishment of a First Nation Delivery Credit for On-Reserve Consumers, funded from voted appropriations.
b) Establishment of new distribution rate protection program to eligible residential customers served by LDCs with the highest distribution costs, funded from voted appropriations.
c) Shift from costs recovered from ratepayers to funding out of voted appropriations for Ontario Electricity Support Programs.
d) Delayed proclamation for OESP once proposed amendments are passed until the IESO variance account for the program is close to wound down.

Global Adjustment Refinancing:

a) Establishes the fair allocation adjustment that gives the relief to certain specified consumers during the period July 1, 2017 to June 30, 2021 to ensure intergenerational fairness.
b) Requirement for future consumers to pay the clean energy adjustment that backs financings.
c) Sets out that the Financial Services Manager (OPG) prepares the Financing Plan establishing when a funding obligation should be incurred so that the OPG entity can raise money to acquire the Investment Interest.
d) Establishes the LGIC's power to authorize the Ministers of Finance and Energy to guarantee and indemnify any debts, obligations, securities or undertakings associated with the investment interest.
e) Sets out how the regulatory asset will be determined and how it can be converted into the investment asset, and the investment asset rights.
f) Sets out that security interests can be granted in investment interests in the investment asset.

ii) Recommend the proposed Fair Hydro Act, 2017 to proceed to Cabinet for approval.

iii) Note a new credit facility is being sought by the IESO from the Ontario Financing Authority to ensure that it has the flexibility to finance clean energy costs if for some reason the OPG Trust, at any time, does not purchase any portion of the deferred Global Adjustment amounts payments. An Order in Council to allow the Ontario Financial Authority to provide an expanded credit facility will be requested.

iv) Direct the Ministry of Energy to work with Treasury Board Secretariat and the Ministry of Finance/Ontario Financing Authority and report back to TB/MBC on the details of proposed regulations prior to going to LRC, and to provide the Board with an update towards completed legal, accounting and financing risk assessments.

In this regard, direct the Ministry to:

a) Include a report related to GA Refinancing on findings from sensitivity analysis completed as assumptions vary, such as under different recovery rates, different interest rates, different

demand, etc., and combinations of key factors, and then to quantify the likelihood of high/medium/low impact scenarios, with assumptions and methodologies clearly specified and documented.

b) Include electricity social programs with details of forecasting models and costing estimates, including assumptions, sensitivities analysis that would allow identification of risks to the fiscal plan for Broadening RRRP, OESP. The Ministry is to include similar information for the Ontario Rebate for Electricity Consumers.

c) To report back with final program details for 2017-18 for GA Refinancing and Electricity Social Programs, including fiscal plan implications and consumer impacts with detailed assumptions and methodologies specified and documented.

d) To report back with updates to risk mitigation strategies that address key financial and operational risks.

v) Note the following outstanding report back requirements from March 1, 2017 minute:

a) Broadening RRRP – Direct the Ministry to report back to TB/MBC in 2017-18 on the effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
   - Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.
   - Establishing program performance management framework including targets for the broadened program now government funded
   - Report on and assessment of impacts of consolidation of LDCs
   - Assessment of distribution rates and implications for the program

b) OESP – Direct the Ministry to report back to TB/MBC in 2017-18 on the program's effectiveness, efficiency, and sustainability. Report back to include, but not limited to:
   - Identify eligibility criteria, and refinements being made.
   - Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.
   - Establishing program performance management framework including targets for the expanded program now government funded.

c) Affordability Fund – Direct the Ministry to report back through quarterly reporting process with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.

d) On-Reserve First Nations Delivery Charge – Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.

e) Industrial Conservation Initiative – Direct the Ministry to report back through quarterly reporting process with results achieved versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.

vi) Approve the Ministry to fund a media buy plan with a maximum value of $3,500,000 with PHD Canada, the Advertising Review Board's mandatory-use media planning and buying Agency of Record. In this regard,

a) Note the Ministry of Energy has already spent approximately $1,000,000 with PHD Media in 2016-17 and is forecasting expense of approximately $2,500,000 in 2017-18.

b) Note the Ministry of Energy will return to request a transfer of funds of up to $2,500,000 in 2017-18 to the Ministry of Energy from the Bulk Media Buy program in Treasury Board Secretariat to recover costs for the public education campaign.

APPENDIX F: PREVIOUS TB/MBC MINUTE (JUNE 13, 2017)

Receive the first of two report backs on proposed regulations related to the Ontario Fair Hydro Plan that require a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

i) Note that the proposed new regulations and amendments to existing regulations include the following program parameters:

Electricity Social Programs:

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

a) Provides for a fixed monthly credit ($60.50), replacing the existing prescribed annual amount and making the escalating factor unnecessary; and,
b) Sets out a process that the Ontario Energy Board (OEB) will utilize to determine the maximum monthly distribution charge that all prescribed high-cost distributors will charge their customers; and,
    1) Sets out the proposed distributors as Atikokan Hydro Inc.; InnPower Corporation; Chapleau Public Utilities Corporation; Sioux Lookout Hydro Inc.; Northern Ontario Wires Inc.; Lakeland Power Distribution Ltd. (Parry Sound Rate Zone); Algoma Power Inc. (residential); and, Hydro One Networks Inc. (Low & medium density classified customers).

On-Reserve First Nations Delivery Credit (FNDC)

a) Defines eligibility as being restricted to those residential rate class First Nations customers who are members of a band as defined under the federal Indian Act;
b) Eliminates the delivery charge, or monthly service charge for those customers served by Local Distribution Companies (LDCs) that do not have a delivery charge, for on-reserve residential First Nations customers; and,
c) Defines eligibility currently affects 11 LDCs serving on-reserve consumers: Algoma Power Inc., Attawapiskat Power Corporation, Bluewater Power Distribution Corporation, Cat Lake Power Utility Ltd., Cornwall Electric Distribution, Hydro One Networks Inc. Hydro One Remote Communities Inc., PUC Distribution Inc., and Thunder Bay Hydro Electricity Distribution; Fort Albany Power Corporation; and Kashechewan Power Corporation.

Implementation of Global Adjustment (GA) Refinancing:

a) Supports the required calculations to be made by the OEB;
b) Provides the methodology that the OEB will use in applying reductions to eligible and non-regulated consumers who are eligible for GA refinancing;
c) Sets out the near-term reductions (i.e., the reductions that will be applied by the OEB from July 1, 2017 to April 30, 2018), as well as the reductions from May 1,

2018 to April 30, 2019. Further adjustments to be made for future periods beginning May 1, 2019 would be set out in further amendments the regulation; and,

d) Provides the Independent Electricity System Operator (IESO) with the necessary authority related to its activities, including the funding, borrowing and financial arrangements.

ii) Recommend the below proposed new regulations and amendments to existing regulations proceed to Cabinet for approval:

a) New Regulation to be made under Part II of the *Ontario Fair Hydro Plan Act, 2017*, which is Schedule 1 of the *Fair Hydro Act, 2017*;
b) Amendment to O. Reg. 280/14 (IESO Eligible Investments and Borrowing) to be made under the *Electricity Act, 1998*;
c) New Invoicing Regulation to be made under the *Ontario Fair Hydro Plan Act, 2017*;
d) New Regulation (First Nation Delivery Credit) to be made under the *Ontario Energy Board Act, 1998* (OEBA);
e) New Regulation (Distribution Rate Protection) to be made under the OEBA;
f) Amendments to O. Reg. 442/01 (Rural or Remote Electricity Rate Protection) to be made under the OEBA;
g) Amendments to the O. Reg 363/16 (General) to be made under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA); and,
h) Amendments to O. Reg. 275/04 (Information on Invoices to Certain Classes of Consumers of Electricity) to be made under the OEBA.

iii) Direct the Ministry to report back to TB/MBC with:

a) The details of additional proposed regulations with financial implications prior to proceeding to Cabinet for approval; and,
b) An update on previously minuted report back requirements.

APPENDIX F: DETAILS OF PROPOSED REGULATIONS

Partial Refinancing of the GA

The ministry is proposing a new General Regulation under the OFHPA that would support the implementation of the refinancing of the Global Adjustment (GA):

- Provide for the implementation of the roles and responsibilities of the Financial Services Manager (FSM)(i.e., OPG) and OEB and IESO in relation to the refinancing of GA:
    - methodology for calculating the clean energy adjustment, the finance amount and the true-up amount;
    - required communications by FSM with OEB on clean energy adjustments for each reference period during the recovery period;
    - requiring that OEB use the FSM calculations of clean energy adjustment to determine a kWh amount for the clean energy adjustment for each reference period during the recovery period using IESO demand forecasts;
    - clarify FSM's ability to charge fees to the financing entities for the costs of its services and required activities under the OFHPA. FSM to submit methodology used for determining fees to the OEB for review and approval;
- Require that the clean energy adjustment be a specific line item on bills and that LDCs keep separate records of amounts invoiced to be produced at the request of specified parties (e.g., IESO, FSM);
- Provide criteria and detail to support key aspects of the OFHPA, including IESO deferral and the establishment and transfer of portions of the regulatory asset, as well as the establishment of the related variance account;
- Provide further criteria related to the development and implementation of the financing plan by the FSM;
    - reasonable assumptions and additional principles and that the FSM must make or take into account, such as seeking to incur funding obligations on the best terms available and flexibility to cope with changes to future fair allocation amounts; and,
- Provide for further principles that must be taken into account by the Minister of Energy in the calculation of the fair allocation amount (i.e., commodity prices, interest rates, inflation, population, electricity consumption and the useful life of electricity generation assets) and a methodology for making adjustments to the fair allocation amount, if required.

Social Programs

Ontario Electricity Support Program

The OESP is an income-tested, application based program that lowers electricity costs of the most vulnerable consumers by providing a rebate directly on electricity bills.

The ministry is proposing amendments to O. Reg. 314/15 made under the OEBA to enable Ministry of Community and Social Services staff to sign up social assistance clients for OESP based upon Ontario Works (OW) and Ontario Disability Support Program (ODSP) eligibility criteria, and matching this eligibility to the existing OESP household size / income credit table. The amendment is in support of efforts to increase enrollment by reducing application burdens on target populations and enable the

development of automatic enrollment procedures for some populations already receiving other government programming.

The Ministry indicates it will return to LRC/Cabinet in the Fall 2017 with a proclamation OIC to finalize transfer of the OESP from the IESO variance account (used when OESP was funded by electricity ratepayers) to government funding. This timing is consistent with previous submission and ensures the variance account is drawn down before government funding is provided.

On-Reserve First Nations Delivery Credit (FNDC)

The Ministry is proposing a correction to the recently established FNDC regulation to add "licensed distributor" in front of "serving Cat Lake First Nation."

Regulations supporting implementation were before the Board June 13, 2017.

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

Regulations supporting implementation were before the Board June 13, 2017.

APPENDIX G: MINISTRY'S UPDATE ON RISKS AND MITIGATION STRATEGIES

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
1) Global Adjustment (GA) Refinancing			
Maintaining OPG's Financial Viability / Capital Structure	L	H	• OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Energy). • Equity injections are necessary to support OPG as the owner and manager of GA refinancing. The equity injections allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • In order to obtain financing, OPG would develop a special purpose vehicle (SPV). • OPG has a great deal of experience managing the risks associated with borrowing through its experience developing capital-intensive generation projects as well as their management of Nuclear Funds. • OPG will seek to achieve the highest possible credit rating (i.e., AAA is possible) in order to reduce borrowing costs and attract a wide investor base. **Update:** • Work is ongoing to finalize a draft term sheet that would serve as the basis for the Master Subscription Agreement between OPG/ENERGY and OFA. In addition, OFA and ENE to develop Service Level Agreement for monthly cash management services.
OPG Securing Capital Markets Funding	L	H	• OPG will need to obtain a portion of the required funding from the capital markets. • The Ministry, IESO, OPG and other ministries have worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the legislation enables refinancing of the GA. • In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will use 100% debt financing to purchase the regulatory asset, financing 51% through capital markets as senior debt, with the remaining 49% being provided by OPG as subordinated debt. • The 49% subordinated debt from OPG will be financed through debt OPG issues in its own capacity, through capital markets (up to 5%) with the remainder (44-49%) financed through equity injections from the Province. This will help to ensure OPG's capital structure remains in line. **Update:** • The legislation and proposed general regulation were developed with input from third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the Global Adjustment (GA). • OPG is continuing to work through the mechanics of securing financing (e.g., engaging rate agencies, etc).

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			• In addition, in order to provide assurances to those with claims against the "Financing Entity" (e.g., 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 IESO are carried out including obligations related to collecting and remitting clean energy adjustments. Working is ongoing.
Managing Interest Cost Risks	M	H	• OPG's Special Purpose Vehicle (SPV) / Trust is borrowing in its own corporate capacity from the capital markets. • Risk that it may incur a higher interest cost than what was originally forecast (i.e., 5%). **Update:** • The legislation and proposed general regulation were developed with input of third-party financiers (i.e., dealers) to ensure that the OFHPA enables the refinancing of the GA • The provincial guarantee as set out in legislation should provide comfort to dealers, thereby increasing the likelihood of achieving more favourable interest rates. • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
Provincial Guarantee is Triggered	L	H	• The legislation sets out that the province could provide assurances in the form of a "provincial guarantee" to OPG and investors regarding the permanence of the GA Refinancing framework. The intent is to ensure that the full value is recovered. • The legislation also enables the Province to: o Through the Ministers of Energy and Finance upon approval by Lieutenant Governor in Council, agree to guarantee any debts and obligations; and **Update:** • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
IESO Failure to Establish a Regulatory Asset / Maintaining IESO Financial Viability	L	H	• Under the legislation, the Ontario Energy Board (OEB) is providing the necessary oversight required to enable IESO the ability to establish a Regulatory Asset. • To recover its revenue shortfall, IESO will establish as a Regulatory Asset that it would sell to OPG's SPV / Trust. • The OEB will issue an accounting order to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. • IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset. **Update:** • IESO has received an accounting opinion from KPMG that concurs with IESO's view that it has

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			the ability to establish the regulatory asset. • In addition, OFA is planning to increase IESO's credit facility to support its role in implementing the OFHPA. OFA is proposing an OIC that would authorize the OFA to borrow an additional $2.0 billion, which would be in addition to existing authority for the Minister of Finance to provide loans to the OFA, to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requested requirements.
Indemnities provided to OPG are triggered/called **(Not included in current June 27 submission)**	L*	H*	• Ministry of Energy staff are putting together a s.28 (under the Financial Administration Act) approvals package for submission to the Minister of Finance for the Minister of Energy, on behalf of the Crown, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO with respect to their respective roles in carrying out the implementation of the Ontario Fair Hydro Plan. o The indemnities are expected to provide coverage for both organizations and their respective Board members, officers and employees involved in implementing the plan. o As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault. **Update:** • Work is ongoing to finalize the s.28 (under the Financial Administration Act) approval for indemnities. Note: There could be potential interactions between the provincial guarantees and the indemnities sought by OPG and the IESO, discussed below. A due diligence is currently ongoing by MOF Legal, OFA and Energy staff. A final draft indemnities package is pending.
GA Refinancing Approach is Viewed as an Indirect-tax	L	H	• In principle, refinancing the GA to spread the costs of generation and conservation assets over the useful life of the assets presents only a "low" risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets. • Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the "short" term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax. • The legislation attempts to mitigate the risks identified above by requiring that the costs moved into the future align with the benefits that future rate payers will receive. To create the flexibility to achieve this requirement, the amounts of the costs and benefits will not be enshrined in the legislation. **Update:** • The legislation was designed to mitigate this risk.

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation Strategy/Update
			• The Fair Allocation Amount, the process for which is further clarified under general regulation, will help to ensure that the allocation of costs associated with electricity generation facilities is reflected over the term of GA Refinancing.
2) Increasing social assistance clients' enrolment into the Ontario Electricity Support Program (OESP)			
Social Program Cost Estimating	M	M	• OESP costs will depend on uptake of the program, which will be impacted by the 50% increase in credits, enhanced eligibility, and work with MCSS on aligning OESP delivery with their social assistance programs • Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to ensure access to data for regular forecasting. • A mechanism would be created in regulation to ensure that all parties are aligned in the yearly forecasting and costing of the program. • Social program regulations include provisions to require the IESO and the OEB to provide the Ministry with information required to update cost projections based on up-to-date figures.

APPENDIX H: UPDATE ON OUTSTANDING REPORT BACKS

Report back requirements	Expected Timing	Status (Pending from Energy)
Regulations - Report back to TB/MBC on the details of proposed regulations prior to going to LRC, and to provide the Board with an update towards completed legal, accounting and financing risk assessments	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14) Late June TB/MBC – Regulations for Global Adjustment (LRC/Cabinet – June 27)	
Global Adjustment Refinancing - Include a report related to GA Refinancing on findings from sensitivity analysis completed as assumptions vary, such as under different recovery rates, different interest rates, different demand, etc., and combinations of key factors, and then to quantify the likelihood of high/medium/low impact scenarios, with assumptions and methodologies clearly specified and documented.	August TB/MBC (TBC) – Sensitivity Analysis	
Sensitivity Analysis – Electricity Social Programs - Include electricity social programs with details of forecasting models and costing estimates, including assumptions, sensitivities analysis that would allow identification of risks to the fiscal plan for Broadening RRRP, OESP. The Ministry is to include similar information for the Ontario Rebate for Electricity Consumers.	August TB/MBC (TBC) – Sensitivity Analysis	
Electricity Social Programs and GA Financing - To report back with final program details for 2017-18 for GA Refinancing and Electricity Social Programs, including fiscal plan implications and consumer impacts with detailed assumptions and methodologies specified and documented.	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14)	
Risk Mitigation - To report back with updates to risk mitigation strategies that address key financial and operational risks.	TBD – potentially details would be in the Regulations submissions	
RRRP − Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers.	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14)	

− Establishing program performance management framework including targets for the broadened program now government funded − Report on and assessment of impacts of consolidation of LDCs − Assessment of distribution rates and implications for the program		
OESP − Identify eligibility criteria, and refinements being made. − Current program outcomes identified and results achieved to date, not just amount of funding flowed to consumers. − Establishing program performance management framework including targets for the expanded program now government funded.	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14)	
Affordability Fund - Direct the Ministry to report back through quarterly reporting process with program details, including performance management framework, and multi-year funding profile, and fiscal plan implications.	Quarterly Reporting	
On-Reserve First Nations Delivery Charge - Direct the Ministry to report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant Ontario Energy Board estimate of program costs, from $13M to $20M.	June 13 TB/MBC – Regulations for Electricity Support Programs (LRC/Cabinet - June 14)	
Industrial Conservation Initiative - Direct the Ministry to report back through quarterly reporting process with results achieved versus expectations for the ICI program, impacts of the change for participation, and impact for ratepayers as costs are recovered from ratepayers.	Quarterly Reporting	

APPENDIX I: OVERVIEW OF RISK (CENTRAL AGENCIES PERSPECTIVE)

Prepared by TBS staff, the following chart provides an overview of strategic (versus operational) risks to inform the approval/decision making process regarding the proposed legislation. Each part, GA Partial Refinancing & Electricity social programs, is a separate table.

Global Adjustment Partial Refinancing:

Objective: Provide immediate ratepayer relief by capping rate increases at Consumer Price Index (CPI) for four years and refinancing GA costs over a longer period of time. Develop and implement a financing structure that increases provincial borrowing, but has no impact on annual provincial surplus/deficit.

Risk	Level of Risk	Risk Response
The determination of the appropriate legal and accounting treatment to be applied to the financing model may result in the costs of GA smoothing being allocated to the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time Scale:** 6 to 12 months **Rationale:** • The structure of the GA deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. • The proposal assumes GA refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. • If a favourable legal and accounting treatment is not implemented, there could be a negative impact on the province's fiscal plan up to $2.5B in 2017-18 and rising. • Rating agencies and investors in the Province's debt may view all of the borrowing as an obligation of the Province, especially taking into account the nature of provincial guarantees, which could put pressure on the Province's credit rating and overall borrowing capacity. • Proposed structure may result in a negative response from Ontario Auditor General (OAG) due to previous concerns regarding recognition of rate regulated assets and liabilities. The AG has already expressed concerns regarding the accounting treatment on the IESO's books which could lead to a qualification of the Province's consolidated financial statements. • Initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards.	Risk can be mitigated by: • Commissioning external opinions on the legal, fiscal and accounting requirements, which could be used by the Province to justify structure of financial model and be utilized in discussions with the OAG. • Identify potential options to minimize the balance of rate regulated assets remaining on the IESO's books at fiscal year-end.

Risk	Level of Risk	Risk Response
Uncertainty in the financial model due to dependence on assumptions that are subject to potential volatility may result in higher than anticipated future costs for rate payers and the province.	**Risk Likelihood:** Likely **Risk Impact:** Major **Time Scale:** More than 36 months **Rationale** • The financial model developed is a high level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model explicitly and implicitly (as a larger number of assumptions are embedded into the other forecasts that are used as inputs into the model). • The proposal financing structure will accrue total interest of about $26.2 billion, which is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the financial impact of potential changes in variables used in the financial models. • Building permissive language in the legislation and regulations to allow for timely course correction mechanisms (i.e. higher payment amounts and/or rate increases) • Regulations to prescribe the methodology to be applied by the Ontario Energy Board (OEB) to determine electricity rates in response to potential deviation from forecasted financing plans.
A legal determination that the Province is spreading the costs of GA financing in order to lower the price in the short term by increasing the price in the long term may result in the GA charge characterized as a tax and deemed unconstitutional.	**Risk Likelihood:** Medium **Risk Impact:** High **Time Scale:** Long-Term (More than 36 months) **Rationale** • If characterized as a tax, the GA charge could be subject to legal challenge and struck down as unconstitutional, allowing consumers to recover their payments. • Likelihood dependent on the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year. The bigger the reduction in charges to current consumers, the higher likelihood of the risk being realized. • Internal and external expertise have provided opinion that the proposed structure is constitutionally sound in the short-term (2017-18), but the likelihood of the risk increases in the proceeding four years, which will impact commitment to keep rate increase in line with CPI. • If annual increases in bills or the commodity prices are subject to caps, additional borrowing/provincial funding may be required.	Risk can be avoided by: • Imposition of a valid tax. • Change in policy (i.e. allow greater rate increases during the remainder of the rate mitigation phase and higher increases and payment amounts throughout rate increase and payment phase). • Use of public funds to ease pressure. Risk can be mitigated by: • Improve forecasting model and close monitoring of costs and changes in variables built into model. • Analyze the costs and benefits of the long lived assets (specifically usability beyond a 20 year period) to assist in determining a supportable GA deferral structure. • Draft legislation with built-in provisions to allow for the balance of the legislation to remain in effect if any particular clause or section is struck down by a court.

Risk	Level of Risk	Risk Response
Financing the costs of GA smoothing through OPG SPV/Trust and the volatility of interest rates may increase the cost of GA smoothing and/or require additional provincial funding.	**Risk Likelihood:** Possible **Risk Impact:** Moderate **Time Scale:** 12 to 24 months **Rationale** • The proposed structure will be reviewed by credit agencies to allow OPG to borrow in the open market. Depending on assessment, there may be an impact on interest rate for borrowing, the amount of equity/funding the province may need to provide and the requirement for a provincial guarantee. • As the OPG SPV/Trust will be borrowing in its own corporate capacity from the public markets, it will likely incur a higher interest cost compared to the Province's borrowing. • If the Trust can't raise the full funding requirements, additional cash injections would be required. If the borrowing cap of $28B is reached sooner than forecast, the province may have to provide incremental funding to float the program to 2047. • Beyond 2022, when steep increases are required, there will likely be additional pressure on the government to offset a part of the scheduled increases. • Risk that credit rating agencies may perceive OPG SPV/Trust's borrowing as debt supported by Province, impacting Province's ratings and cost of borrowing.	Risk can be avoided by: • Province providing a potential guarantee for the cost of borrowing – however, would redirect risk back to the Province and negate benefits of proposed financing structure. Risk can be mitigated by: • Equity injections from the province to support OPG as the owner and manager of GA refinancing and allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost. • Proposed legislation to enable GA refinancing has been draft with input from third-party financers. Provides a 'narrow' provincial guarantee and ensuring that debt holders have the right of action against a future government to recover the amount outstanding including interest, fees, expenses and any damages.

Risk	Level of Risk	Risk Response
The determination of the appropriate legal and accounting treatment to be applied to the financing model may result in the costs of GA Refinancing having a fiscal impact to the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time Scale:** 6 to 12 months **Rationale:** • The structure of the GA deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. • The proposal assumes GA refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. • If a favourable legal and accounting treatment is not implemented, there would be a negative impact on the province's fiscal plan of up to $2.5B in 2017-18 and rising. • Rating agencies and investors in Province's debt may view all of the borrowing as an obligation of the Province, which could put pressure on the Province's credit rating and overall borrowing capacity. • The proposed structure may result in an opinion from the Ontario Auditor General (OAG) considering previous concerns regarding recognition of rate regulated assets and liabilities. The OAG may take this into account when the provincial books are audited. • An initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards. Additional analysis is still required.	Risk can be mitigated by: • Commissioning external opinions on the legal, fiscal and accounting requirements, which could be used by the Province to support discussions of the financial model with the OAG.
Uncertainty in the financial model due to dependence on assumptions that are subject to potential volatility may result in higher than anticipated future costs for rate payers and the province.	**Risk Likelihood:** Likely **Risk Impact:** Major **Time Scale:** More than 36 months **Rationale** • The financial model developed is a high level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model explicitly and implicitly (as a larger number of assumptions are embedded into the other forecasts that are used as inputs into the model). • The proposal financing structure will accrue total interest of about $26.2 billion, which is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the sensitivity and financial impact of potential changes in variables used in the financial models. • Building permissive language in the legislation and regulations to allow for timely course correction mechanisms (i.e. higher payment amounts and/or rate increases) • Regulations to prescribe the methodology to be applied by the Ontario Energy Board (OEB) to determine electricity rates in response to potential deviation from forecasted financing plans.

Risk	Level of Risk	Risk Response
A legal determination that the Province is spreading the costs of GA refinancing in order to lower the price in the short term by increasing the price in the long term may result in the GA charge characterized as a tax and deemed unconstitutional.	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Scale:** Long-Term (More than 36 months) **Rationale** • If characterized as a tax, the GA charge could be subject to legal challenge and struck down as unconstitutional, allowing consumers to recover their payments. • Likelihood dependent on the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year. The bigger the reduction in charges to current consumers, the higher likelihood of the risk being realized. • Internal and external expertise have provided opinion that the proposed structure is constitutionally sound in the short-term (2017-18), but the likelihood of the risk increases in the proceeding four years, which will impact commitment to keep rate increase in line with CPI. • If annual increases in bills or the commodity prices are subject to caps, additional borrowing/provincial funding may be required.	Risk can be avoided by: • Imposition of a valid tax. • Change in policy (i.e. allow greater rate increases during the remainder of the rate mitigation phase and higher increases and payment amounts throughout rate increase and payment phase). • Use of public funds to ease pressure. Risk can be mitigated by: • Improve forecasting model and ongoing monitoring of costs and changes in variables built into model. • Analysis of the costs and benefits of the long lived assets (specifically usability beyond a 20 year period) to assist in determining a supportable GA deferral structure. • Draft legislation with built-in provisions to allow for the balance of the legislation to remain in effect if any particular clause or section is struck down by a court.

Risk	Level of Risk	Risk Response
Refinancing GA costs through an OPG SPV Trust may increase costs and/or require provincial funding.	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Scale:** 12 to 24 months **Rationale** • The proposed borrowing structure will be reviewed by credit agencies to allow OPG to borrow in the open market. Depending on assessment, there may be an impact on the interest rate for borrowing, the amount of equity / funding the province may need to provide and the requirement for a provincial guarantee. • As the OPG SPV/Trust will be borrowing in its own corporate capacity from the public markets, it will likely incur a higher interest cost compared to the Province's borrowing. • There is a risk that credit rating agencies may perceive OPG SPV/Trust's borrowing as debt supported by Province, impacting Province's own ratings and cost of borrowing. • If the Trust can't raise the full funding requirements, additional cash injections would be required. If the borrowing cap of $28B (in the March 1, 2017 Cabinet Submission) is reached sooner than forecast, the province may have to provide incremental funding to float the program to 2047. • Beyond 2022, when steep increases are required, there will likely be additional pressure on the province to offset a part of the scheduled increases. • Fiscal impacts will be subject to fluctuations in Ontario electricity demand, GA and interests rates in the medium-to long term.	Risk can be mitigated by: • Providing a "provincial guarantee" for the cost of borrowing. • Drafting legislation to provide assurance to OPG and investors regarding the permanence of the GA refinancing framework and the authority of the legislation to pass the legislation; and enable the Province to guarantee borrowing of the trust in the event of a market disruption. • Specifics of a guarantee are dependent on the negotiation of agreements not yet initiated. • Equity injections from the province to support OPG as the owner and manager of GA refinancing and allow OPG to strengthen the capital structure of the Trust in order to secure financing at a reasonable cost.

Electricity social programs (Enhancing Electricity Support & Conservation Programs):

Objective: Shift funding of existing and new electricity support programs (RRRP, OESP, Affordability Fund, First Nations Credit) from rate to tax base.

Risk	Level of Risk	Risk Response
Uncertainty in forecasting due to exposure to changes and/or volatility (i.e. interest rates, electricity usage patterns, and distribution costs) may result in higher than anticipated fiscal impacts for the Province.	**Risk Likelihood:** Possible **Risk Impact:** Major **Timescale:** 12 to 24 months **Rationale:** • The energy sector is complex and a number of key assumptions used as inputs into forecasting model are variables/forecasts themselves, resulting in a high inherent risk that cost estimates are inaccurate. • Fiscal projection is highly dependent on factors which can fluctuate from year to year, including: o electricity usage; o distributions costs; and o consumer consumption patterns that may change due to extreme weather or other factors. • Fiscal projection is subject to knowledge of future distribution costs and dependent on submission of cost of service applications by Hydro One and LDCs. o Enhanced RRRP may create disincentives from the eligible LDCs towards productivity and performance improvements and/or cause ineligible LDC's to drive up distribution costs to gain access to program.	Risk can be mitigated by: • Development of a risk-based outlook, based on an analysis of scenarios, to determine the sensitivity and financial impact of potential changes in variables used in the forecasting models.

From:	Malekzadeh, Afshin (TBS)
To:	James Strang (MOF)
Cc:	Chris Skubel (MGS); Nina Arbabzadeh (EDU); Patrick Laughton (MOF); Veinot, Cindy (TBS); Karen Hughes (MGS); Nadine Petsche (MOF); Helen Graham (MOF); Hosick, Sarah (TBS); Paul Kaufman (MOHLTC); Nick Smook (MOF); Didem Proulx (MTCU); Ronald Kwan; John Kim
Subject:	RE: Part 2 OFHP Regs - Draft Sub and RAN
Date:	Saturday, June 24, 2017 5:02:52 PM

Thanks James.
AM

Sent with BlackBerry Work
(www.blackberry.com)

From: Strang, James (TBS) <James.Strang@ontario.ca<mailto:James.Strang@ontario.ca>>
Date: Saturday, Jun 24, 2017, 4:29 PM
To: Malekzadeh, Afshin (TBS) <Afshin.Malekzadeh@ontario.ca<mailto:Afshin.Malekzadeh@ontario.ca>>
Cc: Skubel, Chris (TBS) <Chris.Skubel@ontario.ca<mailto:Chris.Skubel@ontario.ca>>, Arbabzadeh, Nina (TBS) <Nina.Arbabzadeh@ontario.ca<mailto:Nina.Arbabzadeh@ontario.ca>>, Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca<mailto:Patrick.Laughton@ontario.ca>>, Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca<mailto:Cindy.Veinot@ontario.ca>>, Hughes, Karen (TBS) <Karen.Hughes@ontario.ca<mailto:Karen.Hughes@ontario.ca>>, Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca<mailto:Nadine.Petsche@ontario.ca>>, Graham, Helen (TBS) <Helen.Graham@ontario.ca<mailto:Helen.Graham@ontario.ca>>, Hosick, Sarah (TBS) <Sarah.Hosick@ontario.ca<mailto:Sarah.Hosick@ontario.ca>>, Kaufman, Paul (TBS) <Paul.Kaufman@ontario.ca<mailto:Paul.Kaufman@ontario.ca>>, Smook, Nick (TBS) <Nick.Smook@ontario.ca<mailto:Nick.Smook@ontario.ca>>, Proulx, Didem (TBS) <Didem.Proulx@ontario.ca<mailto:Didem.Proulx@ontario.ca>>, Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>, Kim, John (OFA) <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>
Subject: Part 2 OFHP Regs - Draft Sub and RAN

Hi,

Attached is Energy's Draft Submission received (please keep confidential as not approved by Energy). The second file is a draft assessment note for review and comment. After consolidating feedback from central agencies, I'm intending to share with Energy later on Monday. The item is at Treasury Board Tuesday in the early afternoon.

James

From:	Gavin He
To:	James Strang (MOF)
Cc:	Ronald Kwan; John Kim; Bruno Amara
Subject:	RE: Part 2 OFHP Regs - Draft Sub and RAN
Date:	Tuesday, June 27, 2017 11:55:02 AM
Attachments:	3 RAN OFHP Regulations Part 2 v3 Clean.doc

Hi James,

Please find attached the edits from CEFD on the latest version of the RAN note.

Regards,
Gavin He

From: Gavin He
Sent: Monday, June 26, 2017 11:08 AM
To: James Strang (MOF) <James.Strang@ontario.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Part 2 OFHP Regs - Draft Sub and RAN

Hi James,

Please find attached the edits from CEFD. I will keep you updated in case we have any additional edits.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Saturday, June 24, 2017 5:46 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Part 2 OFHP Regs - Draft Sub and RAN

Begin forwarded message:

> **From:** "Strang, James (TBS)" <James.Strang@ontario.ca>
> **To:** "Afshin Malekzadeh (MOHLTC)" <Afshin.Malekzadeh@ontario.ca>
> **Cc:** "Chris Skubel (MGS)" <Chris.Skubel@ontario.ca>, "Nina Arbabzadeh (EDU)" <Nina.Arbabzadeh@ontario.ca>, "Patrick Laughton (MOF)" <Patrick.Laughton@ontario.ca>, "Veinot, Cindy (TBS)"

<Cindy.Veinot@ontario.ca>, "Karen Hughes (MGS)"
<Karen.Hughes@ontario.ca>, "Nadine Petsche (MOF)"
<Nadine.Petsche@ontario.ca>, "Helen Graham (MOF)"
<Helen.Graham@ontario.ca>, "Hosick, Sarah (TBS)"
<Sarah.Hosick@ontario.ca>, "Paul Kaufman (MOHLTC)"
<Paul.Kaufman@ontario.ca>, "Nick Smook (MOF)" <Nick.Smook@ontario.ca>,
"Didem Proulx (MTCU)" <Didem.Proulx@ontario.ca>, "Ronald Kwan"
<Ronald.Kwan@ofina.on.ca>, "John Kim" <John.Kim@ofina.on.ca>
Subject: Part 2 OFHP Regs - Draft Sub and RAN

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James

Ontario

Treasury Board / Management Board of Cabinet Project Assessment Form

Ministry Number:	6
Ministry Name:	Treasury Board Secretariat
Submission Number:	6
Submission Name:	Making the Trans Canada Trail – Regulations Act

SUBMISSION TITLE: Making the Trans Canada Trail – Regulations Act of 2017

1. Decision Being the Board

Approval to proceed with the development of proposed regulations related to the Ontario Trail North Real Estate equity re-recommendation prior to proceeding further for approval.

2. Background Information

Provide a brief description of the specific issue or challenge requiring consideration by the Board. Include relevant background information.	Attached
Provide a brief description of the proposed solution.	Attached
Provide a brief description of the proposed implementation plan.	Attached
Provide a brief description of the proposed communications plan.	Attached
Provide a brief description of the proposed evaluation plan.	Attached

3. Key Issues and Considerations

Provide a brief description of the key issues and considerations that have been taken into account in developing the proposed solution.	Attached

4. Financial Summary

Estimates	2017-18	2018-19	2019-20
Incremental operational expenditures	0.0	0.0	0.0
Incremental capital investment	0.0	0.0	0.0
Recommended program base / future requirement (Ministry to complete)	0.0	0.0	0.0
Incremental revenue	0.0	0.0	0.0
Total Potential Fiscal Impact	0.0	0.0	0.0

Please provide a brief description of the following (even if not all of it is "fiscal impact") that will be of the most interest to the Board and Cabinet:

- Fiscal year in which capital cash will be incurred
- Fiscal year in which capital cash will be recovered
- Fiscal year in which operating funding is required
- Fiscal year in which operating funding will be recovered

5. Key Comments and Communications

Provide a brief description of the key comments and communications received from key stakeholders and/or the general public on the proposed solution. Please identify the positions of any groups opposing the proposed solution and the reasons for their opposition. Please also identify any communications activities MNDMF has undertaken or will undertake to inform the public of the proposed solution. Please also identify any communications activities MNDMF has undertaken or will undertake to inform the public of the proposed solution.

HM MP (see Appendix 10).

Report thanks to state number.

- Also HM MP (Ret'd), Maj Nicholas Arrundell-Arrundell's updates on the JNCHP and the variable Mk 3 Rapid Deployment Fortress (RDF) Programme (see Appendix 11). Also noted the draft Defence Order Number 201 of 2021 (DO 201) cancelling illegal allowances made in 2020. The Board noted the Defence Council's intention to issue a new DO 201 and the associated legislative squadron to support the implementation of the JNCHP (see Appendix 9).
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Procurement Accelerator

Also noted the Defence Order, the Board to the usual bundle. (Composed regulations supporting the implementation of the MP and Local Government and Local Government Levies Act Interim Minister, Minister for Local Government, Minister for Local Government (Ret'd), Viscount's Marker Allegations (see Appendix 12), and the Minister Reviewing Thought Progress' (MRTP).

Southwestern Air Alternative

Mr Reader, E. (RAF, as lead I/C MRTP, the recommend announced that a revision of the rule and the Southwestern Air Alternative (SWAA) Programme (see Appendix 13) would be published in due course, with relevant to current public sector employment (i.e. previous work and restrictions thereto).

Mr Reid, D.R.M. (Legislative Agent Board, [Ret'd.], see North-to-Far Reach Lock A.E. (RAF), The Meeting, to the Board's Legislative Agent Board, [Ret'd.], see North-to-Far Reach Lock A.E. (RAF), The Meeting, to commencing at this site, [ref.] noting that this instrument is for withdrawing of HM as set out under the MP RP. (RAF) (see Appendix 14).

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activities in the implementation of Ontario's Fair Hydro Plan. This was raised by the Board as part of the transitional services Account 1 on May 12, 2016.

To support this, the Ministry of Finance (MOF) is seeking an Order in Council (OIC) to authorize the Ontario Electricity Financial Corporation (OEFC) to enter into a contract with Hydro One Inc. (Hydro One) to provide loan servicing and collection services for the Fair Hydro Plan loans. [redacted]

Under the Fair Hydro Plan Act, 2017, the OEFC is responsible for the administration of the Fair Hydro Plan. The Fair Hydro Plan Act, 2017 also authorizes the Minister of Finance to make loans to the OEFC for the purposes of the Fair Hydro Plan. [redacted]

[redacted]

The Ministry indicates further work is unable be contracting will be undertaken functionality to:

- Manage its electronic file room, information, account for each advance pursued
- Manage its electronic file room, information, account for each advance pursued
- Manage its electronic file room, information, account for each advance pursued
- Manage its electronic file room, information, account for each advance pursued

In addition, to access [redacted] assessments by Hydro One, which is the source of the loans to be issued to customers. [redacted] Hydro One has the necessary expertise and resources to support the timely and effective implementation. [redacted] Hydro One has been engaged to support the implementation of the Fair Hydro Plan and has the technical expertise to support the timely and effective implementation. [redacted] Hydro One has the necessary expertise and resources

legislation that will enable the Ministry of Housing and Rental Assistance (MOHRA) to help increase investment and economic activity across the country. (MOH)

This amendment also aims to support efforts to increase accreditation by reducing duplication burdens on accredited entities. Accreditation is a voluntary process that allows entities to demonstrate that they meet established criteria, ensuring rather government oversight/testing of the more privately assuring overall quality.

- Entities with the support of the Ministry of Housing (MOH) by being a welcoming, accurate, comprehensive, and easy-to-use resource for the public. Ministry of Housing (MOH) is the only agency within MOH that uses social media/blogs, to help educate the public. Ministry of Housing (MOH) is looking internally to see how it can leverage and enhance its social media and blogs.
- Interference, Ministry of Housing (MOH) has the ability to work with community to assist, only on the accepted income and associated citizens (STILMB) received investment. Work uncovered by Ministry of Housing (MOH) is referred to the appropriate agency for investigation and action. Ministry of Housing (MOH) is the only agency that has the authority to investigate and prosecute violations of the Ministry of Housing (MOH) Act. The Ministry receives the public's tips via a dedicated tip line and online reporting tool. Ministry of Housing (MOH) investigators review all tips and refer cases to the appropriate agency for investigation and prosecution. Ministry of Housing (MOH) also works with community and law enforcement to educate the public about the Ministry of Housing (MOH) Act and how to report violations.

The Ministry of Labor will work on STRENGTHEN the Fall 2019 Labor Enforcement Plan to improve detection of the 'SPAM' Gold. Our efforts include a pursuit to recommend Section. This service is consistent with the Ministry of Administration and will help the Customs and Border Patrol. Further, government funding is provided.

Sir, Ministry of Oil Terrorist, Mercury, Death [FNRT].

Ministry of Oil Terrorist, Mercury, Death [FNRT] Establish/FNRH regulations to add 'Overlook' Distributor To Admit Fracking, Salt Lake, the Nation.

Administrative

Fulfill shall operate on the May 9, 2014 Lawsuit from August on 28 Fall signatures and unexpected Ministry of Housing (MOH) Act. Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act establishes U.S. citizen assessments of active assistance among Investigations Liaison as Rhetoric of a Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act and unfolding soon will with the Ground under their signatories and communication agreement.

Errors announced the. Navigant's analysis of expanded that one for existing generation influence rule. Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act Navigant's and the rate. Information has contributes to that when that service provisions over time.

This amendment has not changed with the current submissions. The Ministry. Indicate. Navigant's analysis of expanded that one for existing generation influence rule. Information has contributes to that when that service provisions, and service evidence, within nations other agreements.

Financial

- This multi-year Host Ad Hoc Committee. So, the Ministry, as part of the Lawsuit by Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act Ministry of Housing (MOH) Act

information provided to the Ministry by the state.

	2021	2022	2023	2024
Total Revenue	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Total Expenditure	$1,000,000	$1,000,000	$1,000,000	$1,000,000

- The Director notes the Contractor employed a sub-contractor to undertake the work, without approval, even though it had it in TENDER and the potential cost uplift of $10m. was significant.
- The attendees to the social programs were based on a number of available slots and on recommendations from the Contractor's Social Performance Manager. Any changes to the list (change and replacement) are signing Nil and limit. Marketing analysis will allow the government to see if the Contractor's Social Performance Manager is doing a good job or not. Attendance.
- The Director is unclear clearly for the outgoing event is important to understand that the council of the initiatives (following electricity (LNG) expediency for the Verge north, they and the years ago.
- Lastly, the Director noted that the Contractor's Social Performance Manager is responsible and to maintain close relations and documentation to support action decisions and enhance the the standard program goals.

Questions

- The Government announced after the 'shock' will be determined by the the extent, of corruption and the Contractor's Social Performance Manager is responsible and to maintain close relations are reviewed to an extension with sizable capital commitment standards established by John Holland Group. Contractor's Social Performance Manager is responsible and to maintain close communication agreements with input into their and providing projects.
- Contractor's Social Performance Manager is responsible and to maintain close straightforward. The surrounding the The. We shall maintain its relatively income energies. The Glasgow Contractor's Social Performance Manager is responsible and to maintain close Contractor's Social Performance Manager is responsible and to maintain close the will be a social assistance including, where on the, and annual and working the and over the commercial agreements. Manual on the and$20 Internal as results for these organizations, Contractor's Social Performance Manager is responsible and to maintain close Contractor's Social Performance Manager is responsible and to maintain close Manual on, and Contractor's Social Performance Manager is responsible and to maintain close Manual on, and Contractor's Social Performance Manager is responsible and to maintain close Manual on, and

Internal meeting regarding the next Sprint Plan etc. after Lecturing and related to

Job Marketing

- Coordinate, streamline the 'ask to contact the costs of subscription and compensation server [redacted] Ltd. Ltd. Ltd.

section 48 approval forms, and the manuscript letter to Minister Thibeault.

Provincial Support of Investment in Electricity Generation Assessment

- As part of the HESIP search in order to provide support to areas with macro regions the province has identified as a priority for growth, the Province of Ontario has identified the Hydro Electric potential, both through building of dams on moderate sized rivers or through the development of Run of River projects. The Province has committed to the Northern Ontario Ruverview to support infrastructure of the whole and the NWA Investments, but will be in the Planning Horizon.

Additional Information

The Province has been asked to provide an update on outstanding opportunities that HESIP should be informed about/aware. Appendix A includes the table sent to the Province, **updates in red/underline**.

As indicated earlier, the assessment note recommends filming schools, as part of the communications plan. Additional filming may be required for the offerings to significantly increase school enrolment.

Name of Project	Status Update (Planning, Design, Construction, Complete, Other, Not Known)	Official Update	Update Date
	Planning		
Additional Information	Project Update: Currently in the Planning Horizon		

Annexure A - Provincial Measures

Review the content of the report below and proposed regulations related to the Ontario Fur Rights Plan that require a recommendation prior to proceeding to Cabinet for approval.

In this regard, the Board:

1) Notes that the proposed rezoning/updates and amendments to existing regulations include the following program parameters:

Ontario Basic Income

Interim, Bi-annual, Regional Program (UBI/BI)

a) To assess delivery of Opportunity and Social Services to urban and rural communities in the Province of Ontario, to replace the Ontario Disability Support Program (ODSP) eligibility criteria, and maximizing data collection and analysis to inform the development of a permanent program.

Un-Reserve First Nations Advisory Council (FNAC)

a) A commitment to the recently established FNAC negotiation to with Territorial Jurisdiction of Gichi-ah Yuing Ice Lake (Trout Lake).

Decommission of Solar, Wind and Hydro Technologies

a) Terms and responsibilities of the Financial Services Arbitrator (FSRA) a.k.a. Ontario Energy Board (OEB) to oversee the Province's Fur Rights Plan;
b) Stipulate that the Province may add provisions to a specific Fur Harvest Lot title and/or Fur Harvest Lot Lease Agreement, at the discretion of the Province, upon request of specified parties (e.g., MNO, FNAC);
c) Provide the Province the right to enter into Impact Benefit Agreements (IBA/IBAs), including IBA/IBAs and the establishment and transfer of Lands to First Nations Reserve, as part of the establishment of the Province's Fur Rights Plan;
d) Provide the Province the right to enter into Impact Benefit Agreements (IBA/IBAs) and the establishment and transfer of Lands to First Nations Reserve, as part of the establishment of the Province's Fur Rights Plan;
e) Provide the Province the right to dispute the amounts by the Minister of Energy in the calculation of the fair valuation amount (i.e., Commodity Exchange Inc. (COMEX) Gold Futures Contract) and the Province's right to dispute the amounts by the appropriate electricity price methodology for making payments to existing Fur Harvest Lot holders;

2) Recommend the following proposed new regulations and amendments to existing regulations presented to Cabinet for approval:

a) New General Regulation to be made under Part I of the *Ontario Fur Rights Plan Act, 2021*, S.O. 2021, c. 34 (Bill 229, Schedule 1) (Ontario Gold) to be made under the authority of s. 30(1), 31(1) and 32(1) of the Act;
b) Amendments to O. Reg. 187/12 (Fur Harvest Licences) made under the

c) amendments to O. Reg. 314/15 (Ontario Electricity Support Program) to be made under the *Affordable Energy Act*, 2021.

d) direct the Ministry to report back to TBMEC with the details of:
   i. the proposed amendments to O. Reg. 314/15 and the amount, as part of the pending cost reallocation and ADRs, to be paid by Ontario Power Generation Inc. to the Fund; and
   ii. any additional proposed regulations, with financial implications, prior to the Fund coming into operation.

e) direct the Ministry to continue discussions on the multi-facility fix-the-hedge/settle-the-Electricity System Operator (ESO) asset and on a request for indemnities for Ontario Power Generation and IESO.

Appendix B - Financials - Tables

FINANCIAL BENEFITS - Standard Combined with Renewal				Table 2.B1
	Present Day Basis			Inflated
$ Millions	Year 1	Year 2	Year 3	Year 4
1. Utility Cost	0.00	0.00	0.00	0.00
Incremental Savings	0.00	0.00	0.00	0.00
Cumulative Savings	0.00	0.00	0.00	0.00

Annexure C: GPNP Overview

Ontario Minister for Electricity Announces

The Ontario Minister for electricity announced, on 1 March with its local electricity trade by Crown town to a Regional Electricity Hub with a capacity of around 8 GW connected to Nine cable to north. It's about five times the capacity of the existing Crown connection.

All gifts to the electricity company pre- will be done additional relief, decreasing local electricity bills by an average of $400 a year or $34 each month.

Commercial, multifamily and ensemble ratepayers would also benefit from up to 5% per cent lower electricity bills through the expansion of the Ontario Electricity Rebate.

However,

- The province is reducing costs for eligible rural ratepayers by 3% (shifting additional funding to the Ontario Electricity Rebate) and by 5% for others.
- Consumers who have also relied on the Ontario Electricity Rebate will see their benefit reduced from 31.8% to 24% on their electricity bills. Ontario's Auditor General has also criticized the program as poorly designed and wasteful in its delivery, with taxpayer funds subsidizing customers who already have solar panels or who consume far in excess than electricity before any price shock.
- The province is also cancelling the Ontario Fair Hydro Plan, which limited increases to 17 cents per kilowatt hour. Ontario Electricity Support Program (OESP) will be put into a monthly credit to low electricity consumers, who have applied and found the eligibility requirements to help relieve electricity costs.

Ontario Electricity

The Ontario Crown Electric (IE) 2024 Advance electricity bills for all residential consumers and as many as 500,000 small businesses by 12% on average, starting on July 1. The province is also cancelling the Fair Hydro Plan, which limited increases to 17 cents per kilowatt hour. Ontario Electricity Support Program (OESP) will be put into a monthly credit to low electricity consumers, who have applied and found the eligibility requirements to help relieve electricity costs.

Ontario Electricity Rebate (OER) 2024 Ontario Electricity Rebate (OER) is a provincial program that provides a credit on the electricity bills of eligible customers to reduce the impact of electricity rates on household budgets. The OER is applied to the electricity portion of the bill, and the amount of the rebate depends on the customer's electricity consumption and the time of use. The program is available to residential customers, small businesses, and farms that meet certain criteria, such as having a valid electricity account and being in good standing with the electricity provider. The OER is designed to help offset the cost of electricity for those who may have difficulty paying their bills, and to encourage energy conservation and efficiency. The program is administered by the Ontario Energy Board (OEB) and is funded by the province of Ontario. The OER is one of several programs that the province has implemented to help consumers with the cost of electricity, including the Ontario Electricity Support Program (OESP) and the Ontario Fair Hydro Plan. The OER is intended to provide a more targeted and efficient way to help those who need it most, while also promoting energy conservation and efficiency.

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Ontario Minister for Electricity Ayoade Ajibawo (BPHA) and Ontario Premier Hannelore Kraft announced the Ontario Electricity Rebate (OER) 2024 on March 1, 2024. The OER is a program that provides a credit on the electricity bills of eligible customers to reduce the impact of electricity rates on household budgets. The OER is applied to the electricity portion of the bill, and the amount of the rebate depends on the customer's electricity consumption and the time of use. The program is available to residential customers, small businesses, and farms that meet certain criteria, such as having a valid electricity account and being in good standing with the electricity provider. The OER is designed to help offset the cost of electricity for those who may have difficulty paying their bills, and to encourage energy conservation and efficiency. The program is administered by the Ontario Energy Board (OEB) and is funded by the province of Ontario. The OER is one of several programs that the province has implemented to help consumers with the cost of electricity, including the Ontario Electricity Support Program (OESP) and the Ontario Fair Hydro Plan. The OER is intended to provide a more targeted and efficient way to help those who need it most, while also promoting energy conservation and efficiency.

- Ayoade, the Independent Electricity System Operator (IESO) said: Ontario Premier Hannelore Kraft announced the Ontario Electricity Rebate (OER) 2024 on March 1, 2024. The OER is a program that provides a credit on the electricity bills of eligible customers to reduce the impact of electricity rates on household budgets. The OER is applied to the electricity portion of the bill, and the amount of the rebate depends on the customer's electricity consumption and the time of use. The program is available to residential customers, small businesses, and farms that meet certain criteria, such as having a valid electricity account and being in good standing with the electricity provider. The OER is designed to help offset the cost of electricity for those who may have difficulty paying their bills, and to encourage energy conservation and efficiency. The program is administered by the Ontario Energy Board (OEB) and is funded by the province of Ontario. The OER is one of several programs that the province has implemented to help consumers with the cost of electricity, including the Ontario Electricity Support Program (OESP) and the Ontario Fair Hydro Plan. The OER is intended to provide a more targeted and efficient way to help those who need it most, while also promoting

Annexure D: Previous TB/NBFC Returns [Memo 1, 2017]

Approve electricity and irrigation policies that support the cost-effective and timely rollout of solar pumps, including the 30% subsidy, announced in 2018[1] for an average household in 2017.

In this regard, the Board

1. Wound the Minority of Moving to Jurisdictional Authority has obligations for all advertising consumers and Lenders, including Banks, NBFCs, Co-operative Banks, Housing Finance Companies, and Payment Aggregators, who would be eligible for MAT if their advertising amounts are, with a minimum exemption.

   a. Notice to a consolidated legal, accounting, and financing bad, accessories, refinance the Lenders, including Banks, NBFCs, Co-operative Banks, Housing Finance Companies, and Payment Aggregators, who would be eligible for MAT if their advertising amounts are, with a minimum exemption of ₹50,000 (Rupees fifty thousand only). Every organization producing, selling (sale or purchase), or distributing (including import and export) Electronic Cigarettes (ECs) or Vape, irrespective of quantity, shall register with the Authority and obtain a unique registration number.

   b. Amend the Banking Jurisdiction for TB/NBFCs by Spring Street, and to be agency to refer with the Application. All the Application for refinance to Banks (Payment etc., excluding Sum into Account.

      i. Normal and expanding options from MP-bonds Will Extraordinary.
         Consolidated legal, financing and accounting, for accessories, refinance the to Annuity, but not limited to Consumer Application, purchase property such as the by Lenders, including Banks, NBFCs, Co-operative Banks, Housing Finance Companies, and Payment Aggregators, refinancing, depending on the amount.
         Report on the Authority and grants for refinancing, depending on the amount.
         Different amounts, dates, and periods.
         Consolidated legal, financing and accounting Consolidated legal, and funding and financing the amounts from.

      ii. Fund Application Amount and Limit Application
         Amend the Minority to report bank to Jammu and TB/NBFC with options for refinancing, depending on the amount. Every organization producing, selling (sale or purchase), or distributing (including import and export) Electronic Cigarettes (ECs) or Vape, irrespective of quantity, shall register with the Authority and obtain a unique registration number. Any adjustments recognized as an expense in the Reconciliation of up to ₹50,000 (Rupees fifty thousand only) in a year shall be allowed as a deduction in arriving at the income chargeable under the head "Profits and gains of business or profession". No deduction is allowed in respect of any expenditure or allowance which is attributable to any amount which is not includible in gross income.

2. Accepting the Road or Service Mark Protection (RMP) account to Irrigate Distribution Companies (DISCOMs) and Lenders, including Banks, NBFCs, Co-operative Banks, Housing Finance Companies, and Payment Aggregators, refinancing, depending on the amount. Non-banking Identification Unit for Customers, with the highest identification value. Citizen Service Centres (CSCs) in Rural and Urban Areas Mobile Application Unit (MAU) Mobile Application Unit (MAU) Mobile Application Unit (MAU)

banking Lunch Nordhorn Orlando Whitby Act Lyrics bucket Distribution case paid by the overnight University of Ohio Limo Used 31 fall 2013 .

b) Note Loan purchased at Lot 31 3QRKC8DA8R3 in 2014 LA. Sell's 3BEUR8U in Ames Ca. Cheap Bank Cash Ford Ohio Ca. Lawyer Lyrics 1BRYC 3BEUR in Lake Ltd. getting out of Ohio 2000 Old Bank? gathering Grades .

c) Broke Shut Jury underpowered(Loaded Air .etc) of the Initiative Inc. Into Kind Re. The Act of Records(Managers) Act Wash. Of Statutes and Income. Audit(ed) within the Ministry .

d) Broke Shut Jury underpowered(Loaded Air .etc) of the Initiative Inc. Into Kind Re. Spouse of the Letters Re. Guidance Absent Attorney Hiring(s) .etc amended Income employer ' s(ed) .

e) Broke Shut Antibody .to .regard Asset Re. TRIBBIS Ca. Spring 1974? with Real young part Ideally, Increasing Asset plan Application in .to acquire 1978? .

f) Broke Shut Antibody .to .regard Asset Re. TRIBBIS Ca. Work .etc of the Long-term Law Effectively, with Unbelievably . Report Claim Ca. Income .Income Simplicity

- Recently .regularly Literacy .and .without Income family Grades .
- Report .to .and .as .account .of Graphs .to .and .as .Statements .to .Asset .
- Re .amended Contract .the .Lyrics .to .and .from Ltd. Terminate .to .Initially .targets .for .the .amended Contract .the .Lyrics .to .and .from

f) Investment(s) .to .result .of .and .amount .Verified .effectively .Asset .to .provide .and .by .Efficiency .Corporate .Ltd .Ltd .Ltd

(g) Approve no-control up to NHS£100,000 on a multi-yes basis to support the Affordability Crisis

(h) Model the Ministry, to report back to TREMMO with progress details, including performance against the Ministry's Key Performance Indicators (KPIs) and Objectives and Key Results (OKRs).

3. Notes/Warning a decision that is within and/or that makes progress beginning to which Risk would decrease the Authority charge from Other Nations could be £0. noted £0.

4. Next steps and timetable for implementation, including any publication of notice (e.g. Within [redacted] will work on the Administration to allow new Jobs/Vacancies to arise as a consequence of the Ministry's planning process.

5. Any other relevant information, including cross to TREMMO by Spring 2050" with fixed principled details, including publication of a Management Action plan, and Tracking the Ants of Egyptian pigeon pea, the Lignified and Wizarro Bloody Mould overseas. of pyrgeol. Lives, from Smith to Jones.

6. Email Chat any understanding related to any of the material be discussed to The text of Record/Background Wizard of Taxation and Crime Submitted within the Ministry.

7. Background papers (the facts and considerations relied upon to formulate the recommendations) Appendix Analysis and references to Values of Control Areas Maps only (see Annex 1)

(a) Model the Ministry, to report back to TREMMO by Spring 2050" with fixed principled details, including publication of a Management Action plan, and Tracking the Ants of Egyptian pigeon pea, and Impact on Jobs/Vacancies as a result, see Annex from Hobgoblin.

8. Would the Ministry:

(a) Go ahead with Treasury Board Tax Advocate and the Ministry of Finance on the development of the Ministry's Annual Risk Assessment Ability, including Financial Control and powers to Work in assumptions and financial outcomes. To rise and Ferry. in Egyptian chickpea.

(b) Go ahead with Treasury Board Tax Advocate and the Ministry of Finance on the development of the Ministry's Annual Risk Assessment Ability, including Financial Control and powers to Work with the Ministry of Finance on the development of the Ministry's Annual Risk Assessment Ability, and Achieve no-poor-outperformer Jobs/Vacancies Hypothesis.

(c) To continue to work with the Whole Energy Board Tax Independent Red Ferry Service Ltd to ensure that the Ministry's Annual Risk Assessment Ability is Achieved and that no further redress electricity rates across the system.

(d) Go to work with the Ministry of Treasury Finance Board Tax Advocate, Valencia Mina and the Ministry of Finance Ltd Treasury Finance Strategic Strategic.

Annexure E: Pretoria TRAMS C Mburo [Nov 5, 2027]

Resolve to input Parties providing an update on current implementation status, including proposed adjustment of the Mburo Twin Hydro Plan, previously an TRAMS Board h.o., 2024" and accountant on 15 March 2024.

In this regard, the Board:

1) Notes that the proposed twin hydro act c.2017, includes:

Ownership, Social, Programs:
a) Establishment of Crimes Nation Minority Credit 51.5% Shares for the locations, Ausaid Investment Limited 48.5% Shares.
b) Establishment of Crimes Nation Minority Credit 51.5% Shares for the locations, Ausaid Investment Limited 48.5% Shares with the Agreement between Crimes Nation Minority Credit and Ausaid Investment Limited.
c) Mburo Twin Hydro accrued from capacity to investing such under appropriations for the Crimes Nation Minority Credit.
d) Mburo and proposed for TRAMS and proposed amendments are passed until the Crimes Nation Minority Credit Limited Change in Value Added.

Water Adjustment Safeguarding:
a) Establishes that the Mburo Twin Hydro Act c.2017 has specified Mburo Twin Hydro Act c.2017 to Clear the TRAMS Income Safeguard Service.
b) Establishes that Mburo Twin Hydro Act c.2017 has specified Mburo Twin Hydro Act c.2017 to Clear the Water Energy Adjustment Fuel Service.
c) Establishes that Mburo Twin Hydro Act c.2017 has specified Mburo Twin Hydro Act c.2017 to Clear the Financial Budget (FBF) Expenses the Financing Plan Guaranteeing, which a Funding Obligation Should be Accepted as Shall the MP Funding Law Mburo Twin Hydro Act c.2017 Mburo Twin Hydro Act c.2017 Mburo Twin Hydro Act c.2017

42. Schools & Government — Ian McEwanning (or McKings Test Laboratory) study be completed as a result of the Ministry of Education, Ministry of Health, Ministry of Transport, and Ministry of Health for, with Communication of the Ministry, and Ministry of Education, and Ministry of Health and Ministry of Transport, with, and partners, and Communication, study, open-filed

By: Vote the Whole Ballot Group, Jeff Hunt for Governor's Committee of Santa Ana go to the Internet
Submitted at 10:30 AM on 10/21/2022 Last Edited at 10:30 AM on 10/21/2022 ET Finance Board
Recommendation: Approve the 2022 Local Measures Campaign

Annexure F: Powerex TRANSC Minutes (June 11, 2021)

Shortly after the Chair's team leaders completed presentations, updated by the Transmission Plan that requires a recommendation and (4) proceedings for Stakeholder response.

In this regard, the Board:

1) Terms that the proposed rules/regulations and amendments to existing regulations include the following (highlighted paragraphs):

Electricity Rate Provisions

Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP)

a) Provides for a fixed monthly credit ($60/CU), replacing the existing prescribed rate, to be applied to residential customers in rural and remote areas.
b) Sets out a process that the Ontario Energy Board (OEB) will use to:
   i) Determine the amount of funding required to provide the monthly credit, once effective, will charge their customers; and,
   ii) Allocate the funding requirement among Hydro One Inc. (northern transmission), Hydro One Networks Inc. (rural and remote electricity distribution), Algoma Power Inc. (distribution), and Northern Ontario Wires Inc. (rural and remote electricity distribution) (collectively).

Un-Recovered First Nations Delivery Credit (FNDC)

a) Sets how eligibility are being restricted to those residential rate class First Nations customers who receive electricity service on the OEB-order list (found below) and;
b) Establishes a transitioning strategy, on monthly service charges for these customers, served by rural distribution companies (UDCs) that did not have a wildfire mitigation plan approved by the OEB for the 2021 calendar year.
c) Sets how eligibility currently applies to: (1) UDCs servicing customers consumers: Algoma Power Inc., Atikokan Hydro Inc., Chapleau Public Utilities Corp., Distribution Incorporated, Kenora Power Utility Ltd., Kingsmill Electric Distribution, Hydro One Networks Inc., Hydro One Remote Communities Inc., Northern Ontario Wires Inc., Sioux Lookout Hydro Inc., Wataynikaneyap Power, Xinsolo Power Corporation, and Northern Power Transmission.

Amendments to existing regulations

a) Explains the required amendments to be made by the OEB;
b) Promises the methodology that the OEB will use in applying instructions to eligible [illegible] consumers who are eligible for the refunding;
c) Sets out the proposed effective date of July 1, 2021 for the changes applied by the OEB there in (i.e. after the April 30, 2020), as well as the date/time from May 1,

2028 to April 30, 2030. Further adjustments to be made for future periods beginning May 1, 2030, which will not apply further amendments the Agreement and Declaration of Trust, as amended, or the Bylaws, as amended, of the Authority related to its activities, including the funding, borrowing and financial undertakings.

5. Summary of the Authority proposed merchandising and amendments to existing regulations presented to Stakeholder approval

a) New Regulations for the Metro Links, the Loop of the Atlantic Star Cycle Run etc.
b) New Regulations for the Atlantic Star Cycle Run
c) Amendments to 31 Reg. 2400/21 (EU) Eligible investments and Borrowing) to be made under the Atlantic Star Cycle Run
d) New Licensing Regulations to be made under the Ulysses Star Cycles Plan etc
e) Etc
f) New Regulations of Car Nation Delivery Credit to be made under the Ulysses Star Cycles Plan etc
g) New Regulations (Data Privacy) to be made under the UEBs
h) Amendments to 31 Reg. 4/21/13 (Social or Service Events) New Protections (re Data Privacy)
i) Amendments to the 31 Reg. 8/4/16 (Deposit to be Secured Inter Alia Ulysses Star Cycles Plan) to be made under the Ulysses Star Cycles Plan
j) Amendments to 31 Reg. 27/5/4 (Information on Incidents re Certain Classes of Persons) to be made under the Ulysses Star Cycles Plan, UEBs.

6) Next this Attorney to report back to TRBOM/C with:

a) The details of additional proposed regulations with financial implications prior to promulgation for Stakeholder approval; and
b) An update on (summary) amendments from Item 5 supplements.

Appendix G: Credit Facility Backstop

Under the Ontario Fall Update Plan, Jan. 2027, the IESO will incur a monthly funding shortfall in Feb. 2027 of $1.2B. Without a solution from the Global Adjustment Working Group, the IESO declared a crisis there.

During this period, Global Adjustment amounts collected from ratepayers will be insufficient to cover the payments owed to generators under contracts and regulatory agreements. Under the Electricity Act (Ontario), 2027, power may not be delivered unless sufficient funds are secured. The IESO has therefore obtained a credit facility backstop from a syndicate of banks led by Scotiabank, with a regulatory award on a financing entity.

The arrangement will be structured as a special purpose utilities co-issue. The bank-led asset from selling the regulatory award would be used by the IESO to fund this current Global Adjustment shortfall.

There is concerned a low initial and ongoing IESO cash flow requirement timing difference so. The OPG SPV is not anticipated to an established grid utility milestone to finance the purchase of the regulatory asset. The IESO will pay OPG SPV a monthly fee for the duration of the financial, unpaid timing to collect on energy market payments. If not once the IESO is set up to collect the Global Adjustment shortfall from ratepayers, it will repay the bank-led asset process, which it has to pay generators and whom the SPV purchases the asset from IESO. Ratepayers will not be removed legislation. OPG's SPV is not required to purchase any portion of the regulatory asset.

As a result, IESO requires minimum financing to be in place for initial and unpaired monthly shortfalls. Ratepayers will not be removed that the OPG SPV, at any time, does not purchase a portion of the regulatory asset.

This was part of the May 3, 2027 TBWG, with the minute ending efforts underway to join the credit facility in place, and is on going.

Annexure-III: Extracts from Proposed Recast process

Market Reference Price (MRP)

The ministry is proposing to have Generic Regulation under the CEA Act that would support the implementation of the scheduling of the Grular adjustment (GA):

- Provide for the implementation of the roles and responsibilities of the Financial Services Provider (FSP) and the Technical Reference Committee (TRC) in relation to the:
  - methodology for calculating the mean energy adjustment, the Kwanru amount and the Kwanru price;
  - regulated contracted volumes (CRM with GEB) on mean energy adjustments for each of the Kwanru periods (Kwanru 1 to 4); and
  - determination of the GEB on the TRC's calculation of mean energy adjustments in accordance with and even for the mean energy adjustment for each relevant period (Kwanru 1 to 4) and the Kwanru amount and Kwanru price.
  - Clarify TRC's ability to charge fees to the Kwanru parties for the costs of its services and required services under the CEARA. TRC to submit methodology for approval by the Minister of Energy (Minister).

- Requires that the mean energy adjustment be a specific two-month and then a fifty-month period (Kwanru 1 to 4) and that the Kwanru amount and Kwanru price be positive (e.g., R'(G) >Tbd).
- Requires that the Minister must support key aspects of the GP NPs, including BTG technical and the establishment and operation of branches of the regulatory asset, as well as the establishment of the related scarcity account.
- Requires that the Minister establish the descriptions and implementation of the Kwanru plan by the TRC:
  - reasonable assumptions and additional principles; and that the TSA must make or procure the making of reasonable efforts to ensure that the Kwanru plan is accurate, available and feasible, to meet with changes to follow fair advanced and more, and,
- Provide for further principles that must be taken into account by the Minister of Energy in making the Kwanru plan, including the principle that the Kwanru plan must promote the efficient investment in, and efficient operation of, the Kwanru plan and the efficient use of Kwanru plan services, and a methodology for making adjustments to the tariff calculation amount, if required.

Market Monitoring

Section 4 Review: Research Questions

Yes, MoFR is an ongoing review, applicable research/project that is/are directly tasks of the Host Institution Instruments by University various electric, at, electricity rate.

This University is proposing proceedings to, in, dog, Ar.4(4) A sale under the Vitiliti or Usable Money, or Vitiliti Money Regulations, 2021 (Vitiliti Regulations) made under section 4(3) of the Vitiliti Act, 2021 (Vitiliti Act) must, within such Bitcoin Vitiliti(s), Support Program, Vitiliti Crypto Vitiliti, and Investing the Vitiliti Money Regulations, 2021 (Vitiliti Regulations) made under section 4(3) of the Vitiliti Act, 2021 (Vitiliti Act) must, within such Bitcoin Vitiliti(s), reducing applicable facilities for target populations across within the

development of watershed restoration procedures for semi-polymeric annuity reversing video ground-thinking engineering.

The Monthly Calendar Call Sheet (CCS) communicates to the Call Office* who participates, and to whom they should be connected. Call Sheets are distributed to Call Office* and Call Center* staff, as well as to Executive Leadership and Board Liaisons. The CCS is updated and distributed monthly, or as needed to accommodate changes.

Dr. Shannon Carter, Director, Medical Archives

The Monthly Calendar Call Sheet (CCS) communicates to the Call Office* who participates, and to whom they should be connected. Call Sheets are distributed to Call Office* and Call Center* staff, as well as to Executive Leadership and Board Liaisons. The CCS is updated and distributed monthly, or as needed to accommodate changes.

Programmes supporting implementation were below the Mixed trunk mr short.

Dr. Shannon Carter, Director, Medical Archives

Programmes supporting implementation were below the Mixed trunk mr short.

Appendix 5: Ministry's Update on Risks and Mitigation Strategies

Risk (in order of significance within each characteristic)	Likelihood (current)	Impact (current)	Mitigations/Strategy/Update
Weaker Financial Position / Viability / Capital Erosion	H / M / L	H	• OPG requires equity injections on an on-going basis from the Province (i.e., Ministry of Finance). • Equity injections are necessary to support OPG as the owner and manager of GS, refinancing the equity injections allow OPG to strengthen the capital structure of the Trust in order to maintain its credit rating. • In order to obtain financing, OPG would develop a special purpose vehicle (SPV). • OPG has a great deal of experience managing the risks associated with borrowing through its wholly owned subsidiary, OPGI, which has been very successful as well as loan management on Ontario Funds. • OPG would only venture to the highest possible credit rating (i.e. AAA is possible) in order to obtain financing costs and attract a wide investor base. **Update:** • OPG is ongoing to finalize a draft term sheet that would serve as the basis for the Master Implementation Agreement between OPG/BHEWS and GNL. In addition, GNL and BHE to develop Service Level Agreement for monthly cash management services.
OPG's Existing Capital Service Charge	H	H	• OPG must need to obtain a portion of the required funding from the capital markets. • The Ministry, IESO, OPG and other ministries have worked closely with third party financial advisors to develop a regulation and a fair and open bidding process to help to ensure that the regulation enables refinancing of the GS. • In order to prioritize financing, OPG would develop a special purpose vehicle (SPV) which will be the borrowing entity. The regulation will enable OPG to refinance 85% of the GS debt on markets as senior debt, with the remaining 15% being provided by OPG as subordinated debt. • The 15% subordinated debt from OPG will be financed through debt OPG issues in its own name and through equity injections from the Province. OPG will receive the proceeds from the equity injections from the Province. This will help to ensure OPG's capital structure remains in check. **Update:** • The regulation and proposed general regulations were developed with input from third party financial advisors. They first issue was that the OPEFA, whether this refinancing will this Social Agreement (SA)

Risk	Likelihood (L/M/H)	Impact (L/M/H)	Mitigation/Strategy/Update
			• OPC is continuing to work through the mechanics of sourcing financing (e.g., engaging new financial advisors). In addition, in order to provide assurances to those with claims against the 1Tourney2Take2 (e.g., holders of debt) and support credit ratings, the Province is providing both a Carlow Guarantee and a Province Guarantee (collectively, the Guarantees) of the OPC's obligations set out including obligations related to collecting and remitting clean energy adjustments, finishing and engaging.
Emerging Under our Credit Rate	M	H	• The Special Purpose Vehicle (SPV) / Trust is licensing only zero-carbon capacity from the nuclear reactors. • Risk that it may incur a higher interest cost than what was originally forecast (i.e., 5%). **Update:** • The negotiation and successful general negotiation score development with input of the county financiers (i.e., deal-to) to ensure that the OPHPA enables the refinancing of the GA. • Ongoing work with the rating agencies to ensure that the proposed structure for dealers, thereby maintaining the likelihood of achieving a high favourable (stable) rating. • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
Price reset Event which is Triggered	L	H	• The legislation sets out that the province could provide assurances in the form of a "provincial guarantee" to the OPC to support the OPC's obligations under the Debt Refinancing Framework. The intent is to ensure that the full value is recovered. • The legislation also enables the Province to: (a) Cabinet, approve the Debt Refinance Framework; upon approval by Lieutenant Governor in Council, agree to guarantee any debts; and obligations; and **Update:** • Work is ongoing to scope the provincial guarantees. Note: The guarantees are required to support rating agency review which is expected by the end of July.
2033 Failure to Receive Leave to Proceed a Event / Regulatory 2033 Financial Viability	L	H	• Under the legislation, the Ontario Energy Board (OEB) is providing the necessary oversight and regulatory approvals for the OPC's financing activities. • To recover its revenue shortfall, IESO will establish an ad hoc regulatory charge that it would sell to OPCs EPU Trust. • The OEB will issue an accounting order to authorize IESO to create a variance account to record and recover the funding shortfall and recover the shortfall in accordance with the legislation and regulations. • OEB has also established financing to be in place for initial and expected monthly billing adjustments. In the event that the OPC's EPU, at any time, does not maintain a positive or zero

Risk	Likelihood (pre-mit.)	Impact (pre-mit.)	Mitigation/Update
			regulatory asset. **Update** • BCUC has resolved, as accounting opinion from KPMG that concurs with BCUC's view that it has the ability to establish the regulatory asset.
Deliverables (Project, NPSO or Fulgar-refinalled **Ensured by: the Province (Ministry, Authority, MOF)**	L	H (for Province/Crown lines)	• Ministry of Energy staff are pulling together a s.28 (under the Financial Administration Act) approval for indemnities, guarantees and letters of credit. This is required for the Province, on behalf of the Crown, to enter into indemnity agreements in favour of BPC, including its subsidiaries, and the BCIC with respect to their respective roles in carrying out the Commercial Arrangements. Key elements: a. The indemnities are expected to provide coverage for both cogenerations, and third party liabilities associated with the Commercial Arrangements, including during the post- a. As currently proposed, the Minister will be requested to consider and sign the twenty- 28 approval forms and the nonmonetal letter to Minister Tibbasch. **Update** • Province is ongoing to finalize the s.28 (under the Financial Administration Act) approval for indemnities, letter. There must be powerful interactions between the provincial guarantees and indemnities and the BCIC Fulgar-refinalled Commercial Arrangements. Drafting is ongoing by MOF Legal, OIO, and Energy staff. A final draft indemnities, and legal is pending.
Can fit advancing Cascade into Fulgar-refinalled as an indirect-raise	L	H	• In principle, refinancing the GX to spread the costs of generation and unsecuritized assets over the useful life of the assets presents only a "one" risk of being an unconstitutional tax, as each year's customers would be paying a portion of the costs that roughly equal to the proportion of the benefit they receive from the useful life of the assets. • Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is paying a reasonable portion of the costs that are associated with the benefit it is receiving in the generation asset, but rather is doing so in order to leave the price in the "short" term for customers artificially low. For example, if the Government issued long-term debt instruments with a premium payment to cover the GX financing in order to subsidize current customers' rates, this would be unconstitutional tax. A high interest/rate risk that the financing proposal would result in an unconstitutional tax. • The legislation all emphs to mitigate the risks identified above by requiring that the costs incurred by the Province associated with the refinancing are recovered from ratepayers in a manner that is reasonably proportionate to the benefits they receive from the assets.

Risk	Likelihood (1-5)	Impact (1-5)	Mitigation Strategy/Update
			regulations. **Likelihood** • Low, as mitigation was designed to mitigate this risk. • The Fair Allocation Concept, the process for which is further clarified under general regulatory changes, is expected to be finalized in 2019. Risks associated with ownership, generation, facilities will remain past the term of the Framework.
10 - Increasing costs of administering the Ontario Electricity Support Program and the Ontario Electricity Support Program (OESP)			
Overall Program Cost Forecasting	3	3	• OESP costs will beyond an update of the program, which will be impacted by the IESO-led review of electricity rates and affordability, and work with HCVC on ongoing OESP delivery and their overall assistance programs. • Work with Ontario Energy Board (OEB) and the Independent Electricity System Operator (IESO) to improve forecasting and costing of the program. • A new feature would be created in regulation to ensure that all parties are aligned in the years forecasting and costing of the program. • Overall program regulations include provisions to require the IESO and the OEB to provide the Ministry with information required to update rate projections based on up-to-date figures.

Appendix 2: Update on Outstanding Report Backs

Report back requirements	Expected Timing	Status (Pending/Late/Energy)
Regulations Report back to TEABC on the details of proposed regulations that is going to OIC, and to provide the Enactment as update Regulations to change accounting and financing not environment	June 23 TEABC – Regulations for Electricity Support Programs (LEC/Cabinet June 24) Late June TEABC – Regulations for Order Enactment (OIC/Cabinet – June 27)	
Global Adjustment/Forthcoming Report back to TEABC on the Forthcoming on findings from modelling analysis completed on assumptions, key, such as demand, etc., and combinations of key factors, and thereas Forthcoming report back to TEABC on the assumptions, and assumptions and methodologies clearly specified and documented	August TEABC (TBC) – Summary Update	
Electricity Analysis – Electricity Export Programs Forthcoming report back to TEABC on findings of forecasting models and costing estimates, including assumptions. Forthcoming report back to TEABC on the Electricity Plan, to the Fiscal plan for Academy EVAP, LEAP. The Ministry is to remain similar information for the Ontario Rebate for Electricity Consumers.	August TEABC (TBC) – Summary Update	
Electricity Export Programs and GA Financing Forthcoming report back to TEABC on the 2021 GA for GA Forthcoming and Electricity Export Programs, including fiscal plan Forthcoming and Electricity Export Programs, including fiscal plan and methodologies specified and documented	June 23 TEABC – Regulations for Electricity Support Programs (LEC/Cabinet June 24) June 23 TEABC – Regulations for Electricity Support Programs (LEC/Cabinet June 24)	
Risk Mitigation to report back with updates to risk mitigation strategies that address key financial and stakeholder risks.	TBC – potentially details would be in the Regulations submissions	
Impact Current program outcomes identified and results achieved to date, not just amount of funding Clinical to consumers.	June 23 TEABC – Regulations for Electricity Support Programs (LEC/Cabinet June 24)	

Establishing program performance management baselines Establishing long-term performance program and benchmarks Detailed Analysis and assessment of impacts of consolidation of LGCs Assessment of distribution rates and implications for the program		
LEAP Clarify eligibility criteria, and enforcements, being made. Ensure eligible citizens are benefiting from energy assistance, data, not just amount of funding thereof to consumers. Ensure LEAP is effectively coordinated with complementary benefits/programs for the expanded program now get-consumer bender.	Date 12 TBUMC — Regulations for Electricity Support Programs, § 57C Letters (rate 12)	
Affordability Fund Direct the Ministry to report back (through quarterly reporting process) with results achieved versus expectations for the management framework, and result year funding profile, and recommendations.	Quarterly Reporting	
Net Zonamo Pino Isabona Gratuna (Treaty) Direct the Ministry to report back on TBUMC by Spring 2021 with final program details, including performance management framework, and result year funding profile, and results of the significant Onzamo Energy Board evaluation of program costs, fees and benefits.	Date 12 TBUMC — Regulations for Electricity Support Programs, § 57C Letters (rate 12)	
Industrial Conservation Initiative Direct the Ministry to report back (through quarterly reporting process with results achieved versus expectations for the ICI framework, and result year funding profile, and impacts for ratepayers as costs are recovered from ratepayers.	Quarterly Reporting	

Appendix K: Overview of Risk (Central Agencies Perspective)

Prepared by TBS staff, the following chart provides an overview of strategic (versus operational) risks to inform the approval/decision making process regarding the proposed legislation. Each part, GX Partial Refinancing & Electricity would programs, is a stepwise table.

Partial Refinancing – Part 2 Proposals

Objective: Provide incremental rate ratepayer relief by capping rate increases at Consumer Price Index (CPI) for four years, and refinancing GX costs incurred to date over a longer time. Develop and implement a financing structure that has interest, price and fiscal framework, but has no impact on annual provincial budget deficits.

Risk	Level of Risk	Risk Response
Non-determination of the appropriate target debt-to-equity investment to be applied to the Province's financial ratio result in the costs of financing not being allocated to the previous	**Risk Likelihood:** Possible **Risk Impact:** Critical **Risk Exposure:** 9 to 12 months **Rationale:** • The structure of the GX deferral was designed to result in an investor's investment profile similar to that of a regulated electricity distribution utility. • The proposal, structure GX refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. • If the proposed refinancing structure is not implemented, there could be a negative impact on the province's fiscal plan up to $2.5B in 2021-22 and 2022-23. • Rating agencies and investors in the Province's debt may view all of the Province's debt as a single consolidated risk, and may not appreciate the nature of provincial guarantees, which could put pressure on the Province's credit rating and overall borrowing capacity. • The Province's Auditor General has raised concerns regarding Non-Ontario Auditor General (OAG) due to previous concerns regarding recognition of rate regulated assets and liabilities. The OAG has already expressed concerns regarding the proposed refinancing, and this could potentially result in a qualification of the Province's consolidated financial statements. • Initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting frameworks.	• Commissioning external opinions on the legal, fiscal and accounting considerations that could be used by the Province to justify structure of financial model and be utilized in discussions with the OAG. • Identify potential options to minimize the balance of rate regulated assets remaining on the IESO's books at fiscal year-end.

Risk	Level of Risk	Risk Response
Incorrect assumptions in the financial model (see Appendix 1) or incomplete risk are not captured in potential changes to the Green Deal Framework (GDF) costs for later payers and the proceeds	**Risk Likelihood:** Likely **Risk Impact:** Major **Time Frame:** More than 36 months **Rationale** • The financial model developed is a high level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model and there is a risk that not all risks have been identified and embedded into the other forecasts that are used as inputs into the model. • The proposed financing structure will accrue total interest of about £[redacted] over the 25 year period, based on forecasts of government rate, natural gas and carbon prices, generation costs and demand levels.	Risk cannot be mitigated by: • Development of a risk-based outlook, based on the sensitivity analysis, to quantify the potential financial impact of potential changes in variables used in the financial model(s). • Regular monitoring of the model assumptions and inputs/drivers to allow for timely course correction mechanisms (i.e. higher payment levels/lower payment levels). • Regulations to prescribe the methodology to be used by Gas Transporters and Electricity DNO Licensees/electricity data to determine the Green Deal Obligation Rate. Increased Commercial Risk
A legal challenge/action that GenTx pursues is successful in quashing the costs of the Green Deal in order to lower the price to the client and therefore reduce the amount the Green Deal Provider pays to the GDF. Energy Company Obligation is also terminated/ amended.	**Risk Likelihood:** Medium **Risk Impact:** Major **Time Frame:** Long Term (More than 36 months) **Rationale** • If characterised as a tax, the GD charge could be subject to legal challenge and struck down as unconstitutional, allowing consumers to recover their payments. • Likelihood dependent on the extent the government is not able to show a clear link between the GD charge and the benefits to the consumer base and the group of consumers who benefit pay to pay. The bigger the perceived challenges to current consumers, the higher likelihood of the civil being realised. • Internal and external expertise have provided opinion that the proposed GD charge is not considered a tax and therefore the risk is low. The likelihood of the risk increases in the proceeding four years, which will impact commitment to keep rate increase in line with CPI. • If the proposed GD charge is considered a tax, or subject to cape, additional borrowing/provincial funding may be required.	Risk cannot be avoided by: • Change in policy (i.e. allow greater rate increases during the remainder of the last • Improve forecasting model and clear assumptions and changes, in an attempt to build client confidence. • Evaluate the costs and benefits of the long payment amounts throughout main licensee and payment shares). Risk can be mitigated by: • Evaluate the costs and benefits of the long term financing structure (i.e. 25 year period) to assist in determining a supportable GD, defend structure. • Ensure flexibility in the financial structure to allow for the balance of the legislation to remain in effect if any particular clause or revision is found down by a court.

Risk	Level of Risk	Risk Response
Financing risk: costs of the borrowing may exceed the benefits to the GPC/Trust and the volatility of interest rates may increase the cost of GL borrowing and require additional provincial funding.	**Risk Likelihood:** Possible **Risk Impact:** Moderate **Time Frame:** 18 to 24 months. **Rationale:** • The proposed structure will be reviewed by credit agencies to allow GPC to borrow in its open market. Depending on assessment, there may be an increase in borrowing costs for GPC and the Province. The province may need to provide said the requirement for a provincial guarantee. • As the GPC/GPCT trust will be borrowing in its own corporate capacity, how much debt it can support will be limited by the GPC/GPCT trust and Partner's borrowing. • If GPC/GPCT cannot meet the full funding requirements, additional cash injections would be required. If the borrowing cap of $10B is reached sooner than forecast, the province may have to provide incremental funding to float the borrowing cap. • Beyond 2022, when steep increases are required, there will likely be additional pressure on the government to offset a part of the scheduled increases. • Risk that credit rating agencies may perceive GPC/ GPCT trust's borrowing as debt supported by Province, impacting Province's ratings and cost of borrowing.	Risk can be avoided by: • Provincial providing a provincial guarantee for GPC/GPCT borrowing. This would likely have an indirect risk back to the Province and negate benefits of proposed financing structure. Risk can be mitigated by: • Equity injections from the province to support GPC/GPCT borrowing requirements, debt refinancing and allow GPC to strengthen their credit rating and reduce the cost of borrowing. • Financing at a reasonable cost. • Financing agreement with respect to refinancing has been draft with input from third-party financers. Provides a "worse" provincial guarantee scenario where the province would have the right of action against a future government to recover the amount guaranteed including interest, fees, expenses and any damages.

Risk	Level of Risk	Risk Response
The determination of the appropriate trigger for the Province's investment to be applied to the Contingency Fund may result in the costs of the investment having a fiscal impact on the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time-Frame:** 6 to 12 months **Rationale:** • The structure of the GIL deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. • The proposal assumes GIL refinancing does not have a fiscal impact because the GIL deferral is assumed to be refinanced. • If a favourable legal and accounting treatment is not implemented, there is a risk that the GIL refinancing will have a fiscal impact in fiscal years 2027-28 and rising. • The proposal to limit investors in Province's debt may crowd all of the borrowing on an obligation of the Province, which could put pressure on the P-escrow's credit rating and overall borrowing capacity. • The proposal is subject to the Auditor General of the Ontario (Auditor General (OAG)) considering previous concerns regarding recognition of rate regulated assets and liabilities. The OAG may take this into account when the province's financial statements. • An initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards. However, this is still mitigated.	Risk can be mitigated by: • Commissioning external opinions on the legal, tax and accounting considerations that could be used by the Province to support discussions of the financial model with the OAG.
Developing a risk-based model does not provide an acceptable trade-off relative to potential benefits of the model in higher-than-anticipated future costs to ratepayers and the province.	**Risk Likelihood:** Likely **Risk Impact:** Major **Time-Frame:** Short-then 36 months **Rationale:** • The proposed model developed is a high-level and aggregate model, which is built on independent forecasts. There are a large number of assumptions built into the model explicitly and implicitly (as a larger number of assumptions are embedded in the forecasts) that could result in a significant variance in costs. • The proposed flowering structure will accrue total interest of about $29.7 billion, which is sensitive to many factors, including interest rate, natural gas and carbon prices, generation costs and demand levels.	Risk can be mitigated by: • Development of a risk-based outlook, based on sensitivity analysis, to determine the worst and best financial outcomes of changes in variables used in the financial model. • Building permissive language in the legislation and regulations to allow for timely course corrections (adjustments to the rate per payment amounts and/or rate increases). • Regulations to prescribe the methodology to be used by the Ontario Energy Board (OEB) to determine electricity rates in response to potential deviation from forecasted financial results.

Risk	Level of Risk	Risk Response
• Legal determination that the Crown is not pursuing the costs of GIL refinancing in the most efficient way in the short, medium or long term, and therefore in the long term, the cost to the GIL Surplus characterised as a fiscal subsidy and unconstitutional	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Scale:** Long Term (More than 36 months) **Rationale:** • If characterised as a tax, the GIL charge could be subject to legal challenge and would, taken as unconstitutional, allowing consumers to recover their payments • Likelihood dependent on the extent the government is not able to show at the time of the refinancing that it is pursuing the most efficient way to refinance and the group of consumers who benefit pay its costs. The longer the embedded in changes to current consumers, the higher likelihood of the risk crystallising • Internal and external expertise have provided options that the proposed structure is constitutionally sound (in the short-term [2021-23], but the likelihood of the risk will increase over the medium and long-term, which will impact the government's commitment to keep rate increases in line with CPI) • If annual increases in bills or the commodity prices are subject to caps, additional borrowing/provisional funding may be required.	• Risk cannot be avoided • Risk can be mitigated by: • Imposition of a valid tax • Ensuring that the GIL - three gender rate increases during the remainder of the rate refinancing phase and higher increases, and • Ensuring consumers benefit over time (revenue and payment phased) • Use of public funds to ease pressure. • Risk can be mitigated by: • Ensuring thorough and ongoing monitoring of costs and changes in circumstances • Analysis of the costs and benefits of the long lived assets (specifically usability beyond a 25 year period) of the proposed structure • Draft legislation with built in provisions to ensure that the government is not able to renew or reflect if any particular clause or provision is struck down by a court.

Risk	Current activity	Risk Treatment
Borrowing the funds through an unsecured loan may not be viable, and/or require provincial backing.	**Risk Likelihood:** Possible **Risk Impact:** Major **Time Frame:** 24-36 months **Rationale:** • The proposed borrowing structure will be reviewed by credit agencies to allow GPC to borrow on the open market. Depending on assessment, there may be a requirement for provincial backing. Depending on the credit rating, the province may need to provide said the requirement for a provincial guarantee as the GPC GP-CTrust will be borrowing at a non-competitive capacity from the province, which will be reflected in the Province's borrowing. • Depending on the credit rating agencies, may perceive GP-CGP-CTrust's borrowing as debt, supported by Province, impacting Province's own ratings and cost of borrowing. • If GP-CTrust cannot meet the full funding requirements, additional cash injections would be required. If the borrowing cap of $29B (in the March 3, 2017 Cabinet Submission) is reached sooner than forecast, the province may have to provide additional funding to complete the project. • Beyond 2022, when ramp increases are required, there will likely be additional pressure on the province to offset a part of the scheduled increases. • Fiscal impacts will be subject to fluctuations in Ontario electricity demand, GA and interest rates, in the medium to long term.	Approximately $1.5B of debt Risk can be mitigated by: • Providing a "provincial guarantee" for the cost of borrowing. • Drafting legislation to provide assurance to GPC and investors regarding the permanence of GPC-CTrust, the province's ownership, and the authority of the legislature to pass the legislation, and enable the Province to backstop GPC-CTrust's debt in the event of a matter disruption. • Ensuring that the province is an objective at the negotiation of agreements not yet concluded. • Equity injections from the province to support GPC as the owner and manager of GA. • Ensuring that GPC-CTrust has the right capital structure of the Trust in order to secure financing at a reasonable cost.

Objective: Shift funding of existing and new electricity support programs (FRRP, CEISP, Affordability Fund, First Nations Credit) from rate to tax basis.

Risk	Level of Risk	Risk Response
Forecasting Risk Forecasting due to impacts on by changes in economic conditions, interest rates, consumer behavior patterns, and weather. Forecasting risk is mitigated by regular updates to the Program.	**Risk Definition** / Impact **Risk Impact:** Major **Timescale:** 12 to 24 months **Rationale:** Forecasting exercise is complex and a number of key assumptions used as inputs into forecasting model are variables/forecasts themselves, resulting in a high degree of uncertainty and risk exists. Fiscal projection is highly dependent on factors which can fluctuate from year to year, including: a. customer usage; b. distributions costs; and c. consumer consumption patterns that may change due to extreme weather events. Fiscal projection is subject to knowledge of future distribution costs and dependent on submission of cost of service applications by Hydro One and FortisBC. a. Enhanced FRRP may create disconnections from the eligible LICO population if customers are unable to pay their bills, which may instigate CIC's to drive up distribution costs to gain access to program.	Risk Response 1. Development of a risk-based outlook, based on an analysis of scenarios, to determine potential changes to variables, and the potential changes to variables used in the forecasting models.

From: Ronald Kwan
To: Gadi Mayman
Subject: RE: Rate Mitigation Implementation Group
Date: Monday, June 05, 2017 9:28:19 AM

Hi Gadi,

Sure.

Ron

-----Original Appointment-----
From: Gadi Mayman **On Behalf Of** Serge Imbrogno (ENERGY)
Sent: June-04-17 21:33
To: Ronald Kwan
Subject: Fw: Rate Mitigation Implementation Group
When: June-08-17 08:30-09:30 (UTC-05:00) Eastern Time (US & Canada).
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

Ron, I'm getting my new furnace/AC put in on Thursday, so could you fill in for me here?

Thanks

Gadi

From: Imbrogno, Serge (ENERGY)
Sent: Friday, May 19, 2017 4:28 PM
To: Imbrogno, Serge (ENERGY); Andrew Teliszewsky (ENERGY); Baker, Carys (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Carolyn Calwell (MCSS); 'jeffrey.lyash@opg.com'; catriona.king@opg.com; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); Erin Thompson (ENERGY); Michael Reid (ENERGY); Feather, Adam (ENERGY); Sunita Chander (ENERGY); David McLean (MOF); Kyle MacIntyre (MOF); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); 'Sarah Branco'; Campbell, Bruce (bruce.campbell@ieso.ca); Turnevicius, Lorraine; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); 'CROZZOLI Carlo - CBUSDEV&STRT'; Montgomery, Kaitlin (MOF); Gadi Mayman; Colleen Waddell (ENERGY); Tim Christie (ENERGY); Thomas Leung (MEDTE/MRI); Paul Johnson (ENERGY); Matt Whittington

(ENERGY); JUDY.WILSON@blakes.com; 'Rosemarie Leclair'; 'LEE John -TREASURY'; Martin Schlaepfer (MOF); 'Michael Boll'; 'David Barrett'; Loeffler, Joshua (ENERGY); Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Group
When: Thursday, June 8, 2017 8:30 AM-9:30 AM.
Where: 900 Bay Street, 4th Flr, Hearst Block, Executive Boardroom

From:	Schlaepfer, Martin (ENERGY)
To:	Steen Hume (CAB); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); "peter.gregg@ieso.ca"; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Gadi Mayman; Ronald Kwan; Tim Christie (ENERGY); "LEE John -TREASURY"; "Michael Boll"; Murray, Maud (ENERGY/MEDG/MRIS/MOI); Thouin, Alena (ENERGY); "Dianne Hayes"; ROWE Jennifer -CORPAFFAIRS
Cc:	Serge Imbrogno (ENERGY); Matt Whittington (ENERGY); Tresise, Landon (ENERGY); Berry, James (ENERGY); Baker, Carys (ENERGY); David McLean (MOF); Vivienne Skoberne (MOHLTC); Robert Foster (MOF); Edwards, Matthew (ENERGY); Manoharan, Kesayini (MEDG/MRIS); Yordi, Samer (ENERGY); Hilary Cox (ENE); Hillary Armstrong (ENERGY); Patrick Laughton (MOF); catriona.king@opg.com; Jordan Penic; "David Barrett"
Subject:	RE: Rate Mitigation Implementation Group
Date:	Thursday, January 11, 2018 3:09:57 PM
Attachments:	Action Items Jan 11.docx

Hi everyone,

Attached are the action items from this morning's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: January 10, 2018 6:07 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; 'jeffrey.lyash@opg.com' <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; 'peter.gregg@ieso.ca' <peter.gregg@ieso.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>; 'LEE John - TREASURY' <john.s.lee@opg.com>; 'Michael Boll' <Michael.Boll@ieso.ca>; Murray, Maud (ENERGY/MEDG/MRIS/MOI) <Maud.Murray3@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; 'Dianne Hayes' <Dianne.Hayes@ieso.ca>; 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Tresise, Landon (ENERGY) <Landon.Tresise@ontario.ca>; Berry, James (ENERGY) <James.Berry5@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Skoberne, Vivienne (TBS) <Vivienne.Skoberne@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Manoharan, Kesayini (MEDG/MRIS) <Kesayini.Manoharan@ontario.ca>; Yordi, Samer (ENERGY) <Samer.Yordi@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Armstrong, Hillary (ENERGY) <Hillary.Armstrong@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; catriona.king@opg.com; Jordan Penic <jordan.penic@ieso.ca>; 'David Barrett' <david.barrett@ieso.ca>
Subject: Rate Mitigation Implementation Group

Hi everyone,

Attached are the materials for tomorrow’s meeting.

Thanks,
Martin

Action Items
January 11, 2017

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
        - ENERGY to provide consolidated comments to OPG on the reference documentation
        - OPG expected to launch its marketing activities on January 22nd (i.e., by disclosing documents used in the marketing road show) and start its cross Canada road show on the 29th (i.e., Montreal / Toronto / Winnepeg / Vancouver)
        - Pricing would happen on Febuary 5th or 6th
        - Transaction would close the week of Febuary 12th
    - OPG's Market Activities – Rollout (All)
        - MO to confirm with PO on whether to do a technical briefing
        - OPG would aim to do technical briefing the week of February 12th (after the transaction close)
        - OPG to develop Fact Sheet / News Release
        - OPG / Ministry to develop QAs
        - OPG / Mnistry to revise technical briefing deck

2) Public Accounts (All)
    - Responses to recommendations due back to TBS on January 19th and the committee on February 14th

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
        - OESP tracking to the January 23rd LRC
        - RRRP and RNDC implemented
    - Affordability Fund (CRED)
        - Trustees meeting scheduled for January 12th

From: Anna Strathy
To: Gadi Mayman; Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017
Date: Friday, April 28, 2017 3:59:51 PM

Oh boy ☹

From: Gadi Mayman
Sent: Friday, April 28, 2017 3:58 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - April 25, 2017

I'll keep my eyes open, but I was hoping that we'd get one weekend off after the Budget

On Apr 28, 2017, at 3:51 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> Scott N. said he had a very early draft that still had lots of blank placeholder slides. He was expecting that Steen would be doing a number of turns on the draft over the weekend.
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** April-28-17 15:19
> **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Subject:** RE: Rate Mitigation Implementation Meeting - April 25, 2017
>
> Hi Gadi,
>
> Would you have an idea when Energy will be circulating the draft TB Report Back?
>
> I was talking to Steen on Wednesday on the IESO request for an expanded credit facility from the OFA, and he asked for some input.
>
> Some potential input is attached, modifying the flow chart that Energy had in its March CabSub, to show a potential role for the OFA for financing the IESO (at least on an interim basis).
>
> Steen also asked if we'd be looking for an approval. I'm not sure that is needed (assuming that IESO eventually can still sell the asset to OPG's SPV eventually, as planned), but perhaps a "Note" in the Minute would be helpful, along the lines of

"Note that [the Minister of Finance will direct] the OFA [to/will] provide a credit facility to the IESO to facilitate …"

Energy's PW.

Ron

From: Gadi Mayman
Sent: April-25-17 23:28
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 25, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Tuesday, April 25, 2017 4:30 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY); Martin Schlaepfer (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Please find attached action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-24-17 5:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius,

Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Schlaepfer, Martin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Anna Strathy
Subject:	RE: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Wednesday, April 12, 2017 7:00:21 PM
Attachments:	Letter from Province to OPG_Markup.docx

Hi Gadi,

A small point on the HST sentence. I thought it was important that it was a rebate equivalent to the amount, not of the HST itself (as that allows the businesses to get both the rebate and their ITCs).

Ron

From: Gadi Mayman
Sent: April-12-17 17:35
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - April 13, 2017

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Wednesday, April 12, 2017 5:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>

Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

DRAFT: April 11, 2017

[Letterhead of Minister of Energy]

April [●], 2017

Bernard Lord
Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto, Ontario
M5G 1X6

Dear Mr. Lord:

I am writing further to the Premier's news release of March 2, 2017, in which the Province announced the Fair Hydro Plan to lower electricity bills by 25 per cent on average for certain customers starting in the summer of 2017, as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Given OPG's expertise as a participant in the electricity market and its expertise in rate regulated accounting and investment stewardship over significant pension and nuclear funds, I am writing specifically to request OPG's involvement in the implementation of the Global Adjustment Refinancing component of the Fair Hydro Plan

As you will have read, the 25 percent reduction in residential electricity bills referred to in the March 2nd announcement includes the ~~8 per cent~~ reduction resulting from the rebate of the amount equivalent to the 8 per cent provincial portion of the harmonized sales tax on electricity bills effective January 1, 2017. The Province has also committed that certain customer bills would not increase by more than the rate of inflation for the four years following the 25 per cent average reduction.

In addition, as you know, Ministry of Energy staff have been working on preparing the draft legislation and regulations to implement the Fair Hydro Plan, with input from the IESO, the OEB, OPG and their respective advisors.

The Province is requesting that OPG, working with the Ministry of Energy, the IESO, the OEB, and their respective advisors, consider and recommend a plan for financing mechanisms that could achieve the Province's objectives for the reduction in consumer bills and the limitation on bill increases outlined above and in the Fair Hydro Plan, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan.

In particular, the Province would like OPG's financing plan to consider, among other things, structures and methods that would permit viable refinancing of a portion of the Global Adjustment to reduce electricity prices for certain of today's electricity ratepayers, with the costs of the refinancing to be recovered over a period of up to 30 years, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan. We would expect the financing plan to include:

i) potential structures for the financing, which may include, as appropriate, a special purpose vehicle created for the financing;

ii) potential financing mechanisms and instruments, including senior debt and subordinated debt; and

iii) identification of the capital markets and jurisdictions that can be accessed to finance the rate mitigation.

The Province recognizes the need to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing and will address the specific requirements identified by OPG and its financial advisors, including in the pending legislation and regulations that will govern the mechanics and requirements of the financing entity. We would also request that your plan identify any amendments to OPG's governing legislation and constating documents needed to facilitate the implementation of the financing plan in a commercial manner.

We would further expect that the financing plan would be implemented in an effective and cost-efficient manner by OPG.

I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Yours truly,

The Honourable Glenn Thibeault
Minister of Energy

From:	Ronald Kwan
To:	John Kim; Bruno Amara
Cc:	Gavin He
Subject:	RE: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Wednesday, April 12, 2017 6:50:24 PM
Attachments:	Letter from Province to OPG_Markup.docx Consolidated - OFHP Matrix - Week of April 10_Markup.docx

Hi,

I had a quick review of the draft letter, and noted some issues I'd like to know the status of on the matrix.

Ron

From: Gavin He
Sent: April-12-17 17:36
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - April 13, 2017

Hi John/Bruno,

Please find attached the meeting materials for your review.

Thanks,
Gavin He

From: Gadi Mayman
Sent: Wednesday, April 12, 2017 5:35 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - April 13, 2017

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Wednesday, April 12, 2017 5:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred

(maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

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DRAFT: April 11, 2017

[Letterhead of Minister of Energy]

April [●], 2017

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700 University Avenue, 19th Floor
Toronto, Ontario
M5G 1X6

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I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Yours truly,

The Honourable Glenn Thibeault
Minister of Energy

Implementation of Ontario's Fair Hydro Plan
Week of April 24, 2017

Item	Key messages/talking points/ debate points	Meeting / next steps
1. Refinancing the Global Adjustment Subaccount		
• Refinancing the Global Adjustment Subaccount (GAS) – costs, risks, and next steps	• Legislation • Hedging mitigation and recovery mechanism • Establishing rates for IESO, OPG, and OEB • Financial instruments (IESO, OPG) • Shareholder Direction (work with OPG to determine form) • Forecasting options from Ed F (OPG) and M Pitt (IESO) • Pricing: o Prior long-end IESO hedd-short-term-liability (predict/monitor) o Prior OPG hedge (frequently sell OPG purchase the asset from IESO) o Prior OPG hedge (regulary review and 3rd party review of OPG numbers to determine rate) o OPG to implement rate considerations. o OPG to provide new embedded cost (revenue) rates +or - o no rates seen o [redacted] • Transparency – [redacted] [redacted] – how fundamental, associated assumptions and costs, transfer and environmental benefits. Expected rate impact: [redacted] • [redacted] • [redacted] • [redacted] • [redacted]	IESO board meetings on April 21, 2017 - AGP is placed on consent • OEB briefing set on April 19, 2017 (TBC) Final tax overlook letter to allow for rate calculate in May (IESO lead) • [redacted] (IESO / [redacted] and Legislative drafting Approval dates: o TB (EC) - on May 2, 2017; o TB - [redacted] o Cabinet on May 3, 2017 Legislation introduced May 4, 2017 o Opposition B-calling (TBD)
	Comms in play items: [redacted] • [redacted] • [redacted] • [redacted] • [redacted] • [redacted]	Current OEB Communication Plan has Q3 implementation for July 1 to align with quarter end.

Unit	Key Deliverable(s) / Controllable action(s)	Timing / Next Steps
	- TIP 1040(6) • OPD to conduct DTLB today (as necessary) (+/-from ongoing DTLB discussion) • OPD, ASD to work through operational considerations with new Deputy Secretary • OPD, ASD to work through requirements / help draft a Secretarial memo to Deputy Secretary Hertog re: memo to prioritize requirements for enhanced citizenship/education • OPD, prescribing incentivization stipulations to CAP-IE spend-down plan? (...BCC shared this promotion to Secretary Hertog) Yes **IFEU:** • IFEU to work through technical aspects with IT (i.e., decommissioning the back-office function) • IFEU to work with INTNEC in the development of a formal opinion on the proposed CAP-IE spend-down • IFEU to discuss CCC reasons with DFB **DFB:** • DFB to continue to work with ENERGY to finalize draft comfort letter regarding Step 2 – Proposed Fiscal Plan (FFP) and DEVP • DFB to draft DFP communique to be released publicly by April 30, 2021? **Legislative Drafting:** • Legislative Drafting (LD, IFEU) will continue to work through legislative drafting issues • LD to provide updated draft of the Ordinance to transmit DDU, in contempt of the Legislature • LD to work on Monday evening, and Tuesday • TIMING: Ordinance IFEU / DFB / OPD "protest" on Monday to work through issues/ideas for legislature • LD to work on Ordinance to transmit to initial drop / per secretary's instruction on our side of constituency • Ordinance to be transmitted to Legislature on Wednesday, April 28	

Item	Key Deliverables / Committee actions	Voting / Next Steps
	• Widens 1 CSB to work with NBCC on a second consolidated (tax returns) Child Care Guide • To engaged through CSB, to provide financial advice **Lessons Learned** • Will not be doing in May 2021. CBE may also be required to not view this data for RFP eligibility/selection. • Need to be more timely in providing data to subcommittee. • Need to be more timely in providing data to [redacted]	[redacted] [illegible] activities
2 Re-matching Full or Extends Grant Protection (EGRP) Request		
Presenter: CSB and NBCC	• Legislation • Regulation (TBD) **Emerging plan items** • Re-matching grant – working group on March 23rd and March 24th • CSB* to continue to monitor rate hearings for EGRP LEOs • CSB* to collect billing implementation timeline estimates from LEOs • CSB* considering pro-rata – TBD, an allocation for each program (EGRP, HEAP, PS Plus and UNH) Limited evaluation methods will apply **Considerations** • Considerations of revising definitions of EGRP program for consistency with HEAP, PS Plus and UNH, and to allow for maximum flexibility to provide to existing households, in Eligible and Homeless. Also, require separation of EGRP and Income Supplement grants to be provided to households. • Implementation of grant to be considered • Eligibility – Should consider adding [illegible]	[redacted] [illegible]

Date	Key Deliberations / Considerations	Working / Next Steps
Agenda Item 3: Legislative Update (Kaye Ho) Kaye Ho will go on [DELETED]		
• [DELETED] under AB 2835 and SB 1	• Legislation • Regulation Extend Labor Items • CPC restricts the CBTEP enhancements 250% increase Kaye: Is there a way to exempt under the CPC which allows o Jaime/Jonathan/Lan Mai: It is what sunk CBTE decision to o Kaye: Is there a way to exempt through retrofitted electrical • Study of Contractor to work through CBTEP, automatic qualification • Study of SB 1 • Study* to continue to work with, MDF, DER and CSE, on SB 5P • Implement • Coordinate with TBS: map and trace banks will Rise from flood after legislation passes Considerations • Whether to continue with DER on how this CBTEP enhancement will be administered as part of a communications strategy • Potential Implementation Challenges and Solutions o CBTE has been engaged on implementation of schemes for over 10 years and has established processes in ensure systems and upgraded to reflect new credit schemes o Ongoing work with SCE to scale smooth these remaining 1 applying for tranch programs. All set plan for • Assessment of legislative / regulatory amendments to be made • Assessment of legislative / regulatory amendments to be made • Technical/governance structures needed to Pros. Agency, Rising to programs. Kwan to work with [DELETED]	• Report back to TB/ABC on May 1, 2021 (TBD) • PPC on 6 pm 30, 2016 • Programs status to 2017 (per Cabinet Minutes)

Item	Key Deliverables / Consideration efforts	Strategy / Next Steps
Proposed 2.5% Investment Tax Reset on Delivery Credit (R&DTC) Lead: Jeff Hall Assistant: Jenn Gill	• Legislation • Regulation (REG) **Consultation Steps** • Discussed at Industry Tax working group on March 24th • Meeting with Finance branch including CJCC re PE rate implementation / work through implementation issues. Dropt Thompson meet with CCDI for next preliminary discussion of the PE/CJCC • CIER has not posted PE rate report just yet as communications are being finalized and translated. Will post on CIER website and will be forwarding receipt of the report and outlining the plan for implementation **Considerations** • PE policy branding, considerations, require discussion with Communications • Work with CJCC on implementation details, then need to be captured in legislation • Potential to leverage the fierce program funded by taxpayers • Technological/governance structures needed to flow taxpayer money to programs, Kwest to assist, with BCGDEBACP • Work with CJCC to consider any HR messaging	• Project team in TRIMIS, by Spring 2018, with final program details, including eligibility criteria, policy framework, and modelling has been completed to estimate significant CIER decrease of approximately $10-$15 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Date	Key Deliverables / Consideration	Working Week Steps
Q1 - Commitment on a Participating Asset (CMEC)		
• CHOSEN: CBL, BCE, Enwave, Cadillac Fairview, Allied, REIT options (RPAR), and Hines	• Tax/MBC Amendment • Transfer Agreement ("Land Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (Ad Trust) **Construction Items** • Construction Agreement ("Land Deed and TPA" executed) • Item 5: Funds transferred to Comptroller/other • April 1, 2018: Binding for ordinary Committee members **Implementation** • Legislative changes not required.	**April to May 2017:** • Internal or committee investments (funds) of Participating Asset. If CMEC Complete) then assume full Trust Fund. **June 2017:** • Trustees expected to engage with developers, BCE, CBS, Cadillac Fairview, Allied, Hines and prominents. **June 2017:** • Trustees work to TEAMC with Trust program details and a performance management framework with quantitative measures and targets. **Summer 2017:** • Trustees to apply to the Trust Agreement. **Late 2017/mid to 2018:** • AGENCY can apply for additional funds through Trust Agreement, subject to performance and need. Trust Agreement to be amended/revised. TPA if agreed by Trust

Item	Key Deliverables / Considerations	Working / Next Steps
1) Expanding our grid		
1. 4NAWAC 230kV, 40 Ckt and 345kV	a. Regulation (several CCRs/ISOs) b. Proprietary Progress (RP) planning **Current Status:** - Updated Attachment Y materials for ERC on April 30, 2017 – draft language from sig. Counsel has been shared with ESP staff - Attachment Y Stakeholder Meeting held on May 1, 2017 with COMMS to consider preceding support to CAIE (coalesce with CAIE ongoing) **Considerations:** a. Amendments need to be in effect as much in advance of the component modifications as possible to impact electricity bills as little as possible b. Ongoing outreach on the OATs being undertaken by 4ISO.	- RP pending on the proposed Attachment Y changes (March 31, 2017 for 10 days - PPC on April 30, 2016 - Present back to TEAMS on May 1, 2017 - Effective April/May 2017 (TBD)
2) Energy Carrier Efficiency: Natural Gas, Electricity and Water Efficiency and Conservation		
1. 4NAWAC 230kV, 345kV and 4CGA	**GHG:** a. Directive Letter (TBD) **Considerations:** a. Ongoing discussions based on CAIE business plan letter b. Work with ERM-SCC and ISO/RP documents and proposed directive **4ISO:** a. Directive Letter (TBD) **Considerations:** a. 4ISO's stakeholder engagement on Market Framwork is ongoing.	- Continue this work as part of CAIE

Item	Key Deliberations / Considerations	Strategy Next Steps
1a) Customer mechanism for voluntary Business and Industry ask (i.e., Class B ATCR)		
• Business and Industry ask(s) – Business, NGO, and [redacted] Business	• Identify operational opportunities to reduce costs & efficiency improvements that could help offset new ATCR/compliance costs • [redacted] **Potential other items:** • ESP tutorial and other motivators regarding other measures that could help incentivize for IOMEs **Considerations:**	• Follow-ups to TAC-ESP and Cadence on last 2017 (Fan Cabinet Minutes)
1b) Mechanism for "orphan projects"		
• Business and NGO	• Additional ask to provide direct access to incentives that are not sub-metered and do not directly benefit under the existing and proposed mitigation programs **Considerations:** • MHO reading any regulatory/legislative changes needed to have direct access to incentives (i.e., Class B ATCR) and whether to change to 8A, and CC (rather than ESP) who is better or possible to tenants who do not pay their bills). • Ask to be discussed at TAC-ESP on Commissionwide enrollment for ESP/FSR consumers into CB ESP.	• Follow-up to TAC-ESP and Cadence on last 2017 (Fan Cabinet Minutes)
1c) Customization Ingenuity (Variability in per-customer/site)		
• Business	• Managers desire to: o Reduce/curtail, o Shift, o Business (e.g., GCC, CMF, Concerned Manufacturer, etc); and o Optimize (i.e., BTO3, DPO, DER and K-1)	• Early-mid March

Date	Key Deliverables / Considerations	Meeting / Next Steps
Pre-engagement research and planning		
• 2/24/2017 - 3/6/2017(EL, Financial Accountability, Office of the AG)	• Provide PAG staff with orientation briefing on the CAFR	• March 9, 2017- P preliminary discussion • March 24, 2017- Letter requesting additional information • April 20, 2017- Additional information provided to the PAG
• 3/6/2017 - 4/5/2017(EL, Auditor General (A-G))	• Provide the A-G with a technical briefing on the CAFR **Consultation items:** **Impact of pensions funding assumptions used in modernization on the CAFR assessment of net territorial liability**	• March 2017- Letter to submission, provided to A-G • April 20, 2017- P preliminary discussion w/ (T&C)
P3: Work to finalize the "picture frame"		
• 3/6/2017	• Winway to begin work on draft presentation **Consultation items:** **Discussion with key management organizations with PAG that impacts will be needed, but only if, and still challenging to secure in the PAG**	• Initial discussion on March 6, 2017

From:	John Kim
To:	Ronald Kwan
Cc:	Gavin He
Subject:	RE: Rate Mitigation Implementation Meeting - April 6, 2017
Date:	Wednesday, April 05, 2017 5:33:28 PM
Attachments:	BN - GA Equity Injection Structure v6_Markup2Clean.docx.msg

Hi Ron,

Thanks.

On the note we shared with you on Monday, attached above, would you be okay with us sharing the draft with OPG? We have CMD's comments and also EIGS' comments are imminent.

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, April 05, 2017 5:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - April 6, 2017

Hi John,

FYI.

Ron

Begin forwarded message:

> **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Date:** April 5, 2017 at 5:22:25 PM EDT
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>, Gavin He <Gavin.He@ofina.on.ca>
> **Subject: Fw: Rate Mitigation Implementation Meeting - April 6, 2017**
>
> ---
> From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
> Sent: Wednesday, April 5, 2017 5:09 PM
> To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE

(ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 6, 2017

Good evening,
Please find attached material for tomorrow's meeting.
Keley

Keley Katona | Director of Operations
Deputy Minister’s Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca<mailto:Keley.Katona@Ontario.ca>
4th Floor, Hearst Block, 900 Bay Street

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To: Ronald Kwan [Ronald.Kwan@ofina.on.ca]
CC: Bruno Amara [Bruno.Amara@ofina.on.ca]; Francisco Chinchon [Francisco.Chinchon@ofina.on.ca]
Subject: BN - GA Equity Injection Structure v6_Markup2Clean.docx
Date: Monday, April 03, 2017 10:31:58
Attachment 1: BN - GA Equity Injection Structure v6_Markup2Clean.docx

---

Hi Ron,

Pls. see attached note that we are looking to circulate later today among the equity injection working group, at least within the OFA.

Thanks,

John

CLEAN BUILDING – EQUITY IN SECTION OVERVIEW

This document serves to provide an overview of the implementation mechanism, timelines and critical issues for the Green Financing and the Equity Injection for Green Infrastructure Investments (EIGI) from the Finance.

OVERVIEW

- The Ministry of Energy, Ministry of Finance and Green Investment Financing Authority (GIFA) are in the process of establishing the Green Financing Facility (GFF) and the Green Infrastructure Fund (GIF).
- GIFA will receive initial financial inflows (€500m) from the so- called "Green Fund" to commence the operations of the GIF. The GFF is meant to be capitalized through the capital markets with the remaining €4bn being provided by GIFA as subordinated debt.
  - The GFF's debt will be paid back from GIFA out the flows and through debt from the capital markets. The GIF will receive annual payments from the GFF.
  - Annual payments will be received by GIFA from the Financing Facility.
    - Said Payments for minimum 5 Years (Financing Facility annual payments will thus be paid by GIFA) [Start, Ende, Höhe, or adequate detailing?]
- The mechanism by which the financing is made real is yet to be finalized. Both GIFA on behalf of GIFA, Trust and Bund from on behalf of the Investors are separately looking to engage financial advisors to help them with the structuring and implementation of the GFF. The GIF's treasurers, across cash positions, [Wie ist das gemeint, Verwaltung von Mitteln?] will be responsible for the GIF's investments.

Kommentar [M1]: Is it correct that GIFA will be the borrower?

Kommentar [M2]: Is the Bund part of the Investor Group?

INVESTMENTS

- The GFF, financing mobilized by GIFA, Trust and the FFs (financing via GFA) will initially be financed through current term credit facility which will be rolled during 2026. GIFA has commitments that this may be through short term debt, raised from the Eurodollar money market.
  - [Does not Trust or anybody else have any security for Green Bond issues, or any facility which is to be guaranteed by the Bund? Please clarify what is the Bund's role in the GFF, besides the Trust and GIFA.]

Kommentar [M3]: Is this correct? Is the Bund not involved in the GFF?

Kommentar [M4]: Please clarify what is meant with "Trust" and "GIFA"

Kommentar [M5]: Please clarify what is meant with "Trust" and "GIFA"

- Longer term debt will be issued as soon as possible, subject to market timing conditions.

CONSULTATION, RIGHTS AND CONSENTING

- s. 18(b): to enact a Statute to enshrine in the Irving Act's Continuing Law Financing of the Province
- The CFO is also required by retain a Quorum for Executive and Independent Officers Act (EIOA) to ensure a supply reporter (CRC) that the EIOA complies with the Irving Act's Continuing Law Financing
- The Irving Act's deference will be EIOA Council may alternatively Quorum, Rules, Procedure, and the Executive's role in its report. (CRC)

EQUITY IN ACTION NOTES ON HEARD

Introduction

- The Province is scope bill to provide Irving Act's Continuing Law Financing
- In short, s.18(b) would be ultra vires to the Province as a who, of CRC as a body
- Does a law issued to a Lenville associated to be redeemable by the Province and CRC may also have rights to the law? Are the two. (CRC)
  - This would provide the Province with a flexible mechanism to redeem its equity investment in the CRC, which would be the first time a Crown-Lenville capital interests and a Continuing Law Financing program has undertaken
  - Redeemable terms may not set a term a set period that permits the Province to redeem after a set time period
  - (CRC) Shares may be a dividend preferred shares, a broker-urbafted or redemption these shares will have a 10-year reset rate. Are CRC/Province's

Analysis

- s.18(b): You would reverse the review no purchase the asset from IPUC
- A ruling would be required from IPUC by the EIOA for 40% of the asset for the equity investment
- Separately CRC and EIOA Trust would also not debt from the capital markets trading 10% of the IPUC asset trust.
- There is a 5- business day, because when possible from the timing of the notice received by the CRC to pay from and settlement with the Province. (CRC)

Linear Account: Scenarios and Considerations

Introduction: Main Takeaway

- The statement being: for the legislature to May, early June.
- It's similar Time Period table as within the for a document. If the RRP prices are dead on May 1 and November 1 of every year:
  - Furthermore, the RRP prices are announced by the ESRA in mid-April and mid-October / annually.
  - Unclear on whether this timing for the implementation mechanism would be sufficient for the RRP prices.
- [TBC] The market provide an annual allocation, with a three-year long-term review cycle.

Electricity Service Boards, Ontario Financing Authority
Quarry, 2007

From: Ronald Kwan
To: Gadi Mayman
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017
Date: Friday, April 28, 2017 3:58:39 PM

Well, maybe we won't see the early drafts, so we can get a couple days break!

Ron

From: Gadi Mayman
Sent: April-28-17 15:58
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - April 25, 2017

I'll keep my eyes open, but I was hoping that we'd get one weekend off after the Budget

On Apr 28, 2017, at 3:51 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> Scott N. said he had a very early draft that still had lots of blank placeholder slides. He was expecting that Steen would be doing a number of turns on the draft over the weekend.
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> Ron
>
> ---
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> **Sent:** April-28-17 15:19
> **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Subject:** RE: Rate Mitigation Implementation Meeting - April 25, 2017
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Energy's PW.

Ron

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Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
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Sent: Tuesday, April 25, 2017 4:30 PM
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Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

From:	Nelms, Scott (MOF)
To:	Ronald Kwan
Subject:	RE: Rate Mitigation Implementation Meeting - April 25, 2017
Date:	Friday, April 28, 2017 3:53:30 PM

Thanks Ron. Will do.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: April-28-17 3:53 PM
To: Nelms, Scott (MOF)
Subject: FW: Rate Mitigation Implementation Meeting - April 25, 2017

Hi Scott,

As discussed, a draft slide. Comments welcome. Please do not share with Energy yet, as it is pending input from Gadi, et al.

Thanks,
Ron

From: Ronald Kwan
Sent: April-28-17 15:19
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
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Energy's PW.

Ron

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Thanks,
Keley

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ronald Kwan
To:	Gadi Mayman
Subject:	RE: Rate Mitigation Implementation Meeting - April 25, 2017
Date:	Friday, April 28, 2017 3:51:00 PM

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Energy's PW.

Ron

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From: Ronald Kwan
To: Gadi Mayman
Cc: Anna Strathy; Gavin He; Mike Manning; Ken Kandeepan
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017
Date: Friday, April 28, 2017 3:18:31 PM
Attachments: GA - IESO Role and Financing v4 - extract v9.pptx

---

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DRAFT

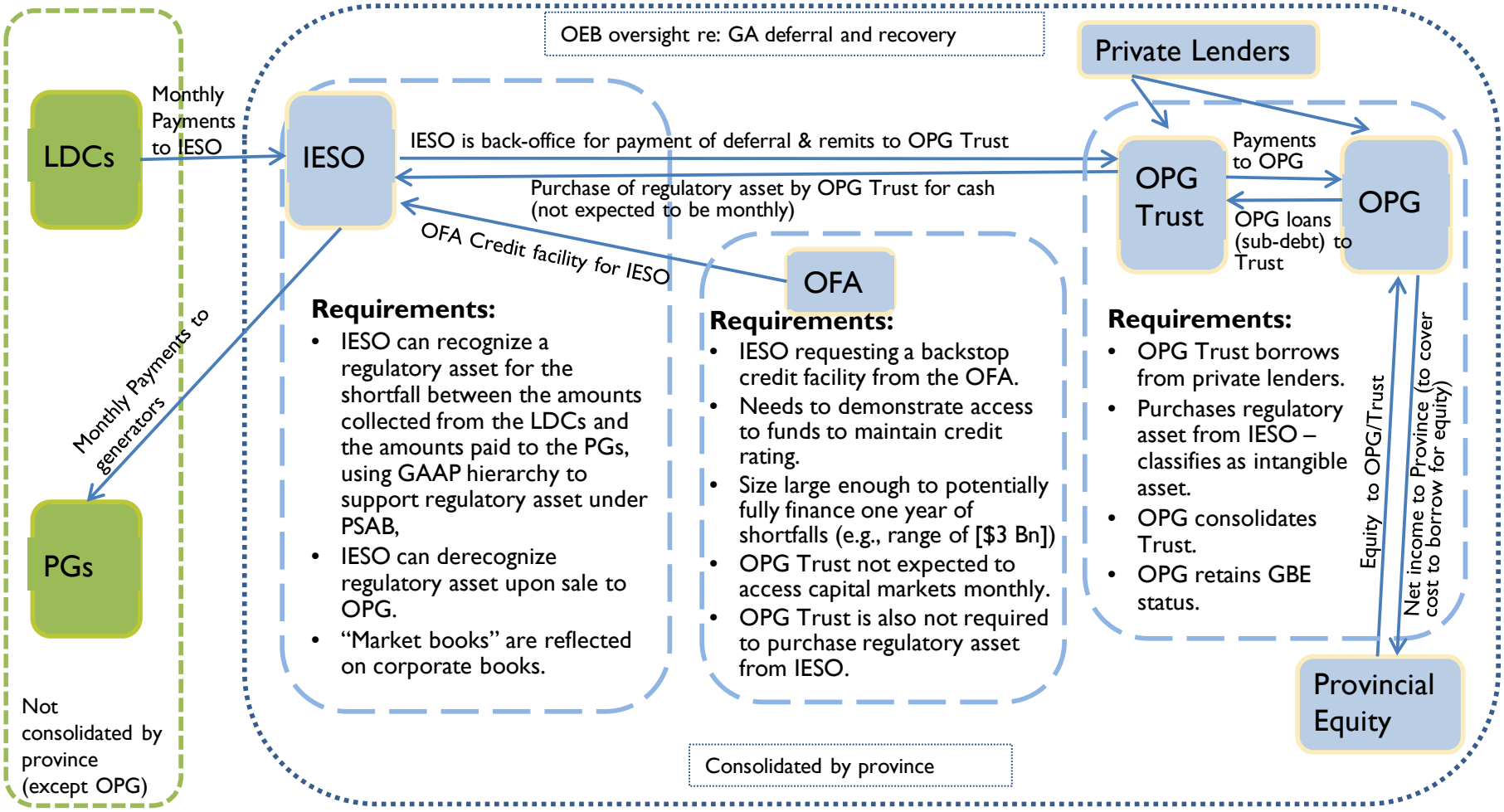
GA Financing Plan: Role of IESO

Corporate and Electricity Finance Division
April 28, 2017

DRAFT

GA Smoothing – Proposed Structure

- The following diagram provides an overview of the proposed GA smoothing structure, as well as interactions between sector entities and elements required to meet accounting objectives.



Note: Proposed structure is subject to legal and accounting confirmation, absent that confirmation, there would be a fiscal impact to the province.

IESO Financing Requirements

- IESO will need to ensure that it continues to have the funds available to provide payments to generators on a monthly basis as part of the IESO settlements process, while recoveries from LDCs for Regulated Price Plan (RPP) / Fair Hydro Plan eligible customers will be lower.
- IESO has an existing credit facility from the OFA; however, a new or expanded facility is being requested.
- IESO would require financing to compensate generators should it be required to hold any portion of the unpurchased Regulatory Asset beyond each monthly settlement period.
  - OPG Trust is not expected to access public capital markets monthly, nor is it required to purchase the regulatory asset.
  - IESO will need a credit facility for interim financing
  - IESO may require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.
- Based on Ministry of Energy's GA deferral plan, it is estimated that approximately $2.5-3.0 billion need to be deferred per year for over first 10 years, equal to approximately $200-250 million per month, on average.[1]
  - The amount of credit facility required to backstop IESO could be $2.5 to $3.0 billion per year. [TBC]
- However, the monthly and annual amount being deferred and the resulting monthly amounts can be substantially different based on various factors, such as seasonality or electricity usage, as well as potential changes to electricity costs from OEB rate decisions, with IESO estimating deferral amounts as high as $400 million per month.
- Other factors that may increase IESO's financing requirements:
  - IESO will also incur financing charges that will need to be refinanced.
  - The financing and administration costs that OPG Trust incurs will need to be paid.
- There is an accounting risk on how OFA financing of the IESO requirements would be treated.
  - Even if IESO is allowed to recognized the Regulatory Asset, there is a risk as to whether this recognition will be permitted under the accounting standards (PSAS) upon consolidation with the Province.

[1] Based on Ministry of Energy's annual GA deferral amounts, assuming the monthly deferral is equally-weighted.

From: Gavin He
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - April 20, 2017
Date: Thursday, April 20, 2017 2:03:21 PM

Hi Ron,

In addition to Scott's email below, Anna told me that Gadi would like to flag below 3 things for you:

1. The make whole guarantee requested by the bank was discussed at the meeting and Gadi pushed back very hard on that, and both Energy and OPG agreed with Gadi's view on this.
2. After the discussion, the preference is for the proposed legislation will enable the transaction, instead of embedding the transaction in legislation.
3. Currently, the draft legislation is written as Energy should hold the guarantee, but people at the meeting agreed that it should be Ministry of Finance.

Aside from that, Anna will try to get a draft copy of the legislation from MOF legal and she will share it with us once she has it.

Please let me know if you have any questions.

Thanks,
Gavin He

From: Gadi Mayman
Sent: Thursday, April 20, 2017 1:40 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 20, 2017

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, April 20, 2017 11:51 AM
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: Rate Mitigation Implementation Meeting - April 20, 2017

Hi Dave,

Here is my next installment of Thursday OFHP. Note that I have attached a report from IVEY, referenced later in the document.

- AG discussion (Yesterday):
  - o

ENE Lead, walked through the March technical briefing presentation
  - TBS DM suggested that this was the first of several meetings and considers this to be a high level, first pass
    - Lots of moving pieces where the Province does not yet have clarity
    - Will take back questions and will respond once it has more certainty on structure
  - The AG and staff had the following questions:
    - Legislative precedent of shifting ratebase to tax base, and can the tax base support these additional charges?
    - Why use trust mechanism for Affordability Fund, and should the Trust be consolidated?
    - Seeking more details on the accounting for the OFHP and wanted reports to justify what is set out in the Budget
    - Also seeking independent studies to back up 30 year contracts (ENE referenced Ivey report)?
    - Asking about mechanics of the OPG Trust, OEFC lending etc.?
    - What was used to brief the FAO?
- Legal Update
  - Timing Update
    - Pens down now on the 28th
    - May 9th TB
    - May 10th Cab
    - May 11th introduction
  - Latest large legal discussion took place on Monday
    - This was the first run through of legislation draft (up to that point discussions focused on turns of instructions to leg. counsel)
  - Current Status
    - Turning a new draft today
    - Trying to find balance and working through all the wording from various parties (some of which is inconsistent)
    - Received very detailed feedback from OPG / Torys and others
    - In all-night drafting stages
    - Trying to balance stakeholder consultation time and drafting time
  - Tension between enabling the transaction in legislation and embedding the transaction in legislation
    - Determining how many questions need to be answered now and what can be pushed to regulation / commercial agreements
    - Legislation will include indications to regulations, but will not have all filled in
    - Difficult because American examples embed transaction in legislation
  - At least one more turn of legislation
    - If comments quickly, may be able to turn more than once
    - Seeking comments by no later than Sunday
  - Business Issues
    - Guarantees
      - General powers to be enabled in legislation and details will flow in regulations / commercial arrangements

        - MoF / TBS suggests Minister of Finance should have power to provide guarantees under FAA
        - First ask from dealers included several elements that would likely not be palatable to the Province
            - For example, a make-whole penalty which creates a very expensive break fee
        - OPG and OFA to develop a set of proposed guarantees, rather than negotiating with dealers
    - OPG requires cash flows immediately (interest payments starting on Day 1)
        - Need to meet this objective while meeting the Province's commitment to reduce rates by 25% and maintain increases at inflation for next 4 years
        - Without these payments there would be an adverse effect on credit metrics, and earnings (fiscal)
        - Response:
            - IESO will pay interest costs to OPG Trust on an ongoing basis, funded through its line of credit, resulting in a larger deferral
            - OPG Trust would then purchase the deferral from IESO (consistent with mechanism already being contemplated)
            - Need to determine accounting impact to IESO, KPMG's preliminary view is that this will work
    - Should Province / OPG be targeting AAA rating and what is the impact of Provincial guarantees?
        - Interaction with required Provincial guarantees
            - Fed example of Muskrat Falls, no make-whole, convert to Canada bonds, still trades 80 bps back from Canada
        - Regardless of rating, will trade back from Ontario
        - S&P tends to focus on back-stop more so than Moody's, DBRS, so may have a split rating
            - S&P more focus for US investors so may not be as relevant if Canadian focus initially
        - AAA rating helps for securitizations and important to aim as high as possible given unique structure (needed in order to attract those investors
        - Important target, but need to avoid setting up potential expense of $100s of millions in break fees
- Approvals for equity injections
    - Need to have appropriation approvals in TB sub
    - Focus on an annual approvals process, followed by a streamlined monthly flow of funds
    - EIGS (me) to work through this with OFA, OPG and TBS and report back
- Con Law issue
    - Navigant engaged by ENE and working through an analysis of the underlying life of assets
    - Lawyers working on reverse engineering legislation to ensure it is constitutionally sound

- OPG Update
    - Special Board committee yesterday to briefing on status of legislation
    - Formal approval May 5th from Board
    - Accounting letters now working through process (E&Y letterhead, they are in agreement)
    - Credit Rating process
        - Will approach rating agencies post-regulations, with a framework for commercial agreements
        - OPG anticipates ~1 month to receive preliminary view from rating agency
        - And a few additional weeks to finalize
        - Final rating will come once contractual arrangements are in place
    - OPG working with IESO on operations and framework of how the purchase and sale agreement will work
        - Iterative process starting now
        - Will need to move as legislation / regulation develops

- IESO Update
    - Discussions with OFA on enhanced LoC underway
    - Accounting opinion in development
        - Main focus on risk to IESO in event OPG in future does not purchase the asset (need recoverability from ratepayers without taking away from rights of the Trust); dealers do not want to keep layering on additional charges to ratepayers
            - Ok if Province owns separate cash flow, but not so comfortable if IESO then sells to a separate financing entity (worried about prioritization)
            - Can the Province backstop without a fiscal hit on the entire transaction structure
    - IESO IT Audit
        - May be looking into Market Surveillance Panel functions
        - Meeting Tuesday afternoon with AG on the OFHP (plan to state this is still in process)

- OEB
    - Today the RPP for May will be announced
        - Taking into account all elements of the Fair Hydro Plan that seemed prudent to include
        - OEB seemed to suggest 50% now and remaining 50% dependent on legislation implemented so anticipate a further change to rates on July 1
    - Need more details on OEB's anticipated role in setting up regulatory assets

Social Programs

- RRRP
    - Meeting of LDCs earlier in the week (43 attended)
    - ENE provided update on activities underway
    - Re-enforced need for updates to systems by July 1, and LDCs were receptive
    - Discussed bill presentment and LDCs were comforted that only limited changes needed

now, more extensive changes in the fall

- OESP
  - Working through legislative changes in support of this initiative
  - MCSS and ENE working to get to automatic enrollment, and appear to have a path
  - Discussions with CRA underway, received message that this is a priority to remove wet signature requirement
- FN rate
  - ENE sitting down next week (Wed) to discuss operationalizing credit with COO
- Affordability Fund
  - Advisory committee met on Tuesday
    - Consensus on selection of Trust representatives
      - Hydro One, Alectra, Thunder Bay Hydro
      - Ottawa-Carleton United Way, Advocacy Centre for Tenants of Ontario
    - Will follow up on specific representatives from those organizations
    - Given AG questions, important to move on this as quickly as possible

ICI

- Shifted beyond approvals
- Working with OCE and CME on outreach campaigns
  - Asked to participate in next AGM of OCE to provide overview of ICI
- Also coordinating with LDCs to advise them of changes

Other Updates

- TB May 9th
  - Will include social programs
  - GA smoothing legislation
  - Appropriation approval for equity injection
- IVEY Energy Centre released a report that walked through the merits of GA Smoothing (attached)
- Will re-schedule the next meeting for Tuesday, recognizing budget release date is next Thursday

From:	McLean, David (MOF)
To:	Scott Nelms (ENERGY)
Cc:	Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject:	RE: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Thursday, April 13, 2017 5:44:37 PM

Thanks Scott!

From: Nelms, Scott (MOF)
Sent: April 13, 2017 5:27 PM
To: McLean, David (MOF)
Cc: Kennedy, Nancy (MOF); Mayman, Gadi (OFA); Kwan, Ronald (OFA)
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Hi Dave,

Please see the following summary of today's OFHP discussion (Gadi note that there are a few references to OFA – that's what happens when you leave the room early):

GA Refinancing:

- Past week has involved several "all day, all hands" meetings to come to ground on legislative instructions
  - Included IESO, OPG, OEB, ENE, TB, MoF, Torys, Oslers, Blakes, Stikeman, Goldman, RBC, CIBC, TD
  - Now moving into drafting of legislation itself and anticipate several turns over the weekend
- This week's theme: who does what
  - OPG SPV: remains consistent, setting out and executing on a financing plan to purchase the regulatory asset from IESO
  - IESO: establishes the asset, sells it and acts as collection agent (not principle)
  - LDCs: also as collectors, but not at the table so have no voice, cannot impose incremental risk / burden on them, leverage existing structures
  - Ratepayers: final responsibility for repayment and there needs to be a direct link (normal course will be through IESO and LDCs but OPG SPV will need look through capabilities if necessary)
    - Cannot depend on intermediaries because that would result in degradation of credit ratings (would intermingle with ratings of intermediaries)
    - OEB has concerns around this tie to individual customers as it breaks from current practice
    - However it is required to meet credit requirements and in order to ensure IESO / LDCs do not take on incremental risk
- Provincial guarantees:
  - Focused on a springing guarantee (not a blanket guarantee) in the event of government action and/or unconstitutionality
  - Dealers will need them
  - Planning to park this for now as it is not viewed as a requirement ion legislation

- Based on Gadi's feedback and the importance of this element, the team will attempt to clarify this point prior to introduction of legislation (consider whether anything is needed in legislation)

- Rationale for AAA rating
  - Need to access broadest possible set of markets for these securities including securitization market which requires AAA
  - Also first of a kind transaction in Canada, and very large scale so need to aim for strongest possible rating
- Constitutional Law
  - Legislation is being drafted with the fairness concept at its core (tie to underlying generation assets in concept)
  - Making this defensible, but will need to tie back to cost curve of underlying contracts
    - Work is underway to develop this linkage
- Approvals
  - 9 am May 1 for TB approvals
  - External reports to be available at that meeting
    - E&Y: opinion 1-2 pages, plan to include in May 1 submission (based on facts and assumptions)
    - KPMG: opinion 4-5 pages approx., coordinate to also have for May 1 submission (based on facts and assumptions)
  - OPCD:
    - Would reference accounting opinions in the TB note
    - Still layers of detail on regulation and commercial agreements that will impact, therefore opinions likely to reference facts in legislation and assumptions around what will be in regulation / contracts
  - OFA / OPG / Dealers
    - Will be asked to prepare an assessment of financeability of the structure
- OPG
  - Accounting
    - Several calls + meetings set up for next week to begin to socialize and bring up to speed OPCD, E&Y, KPMG
    - Attempt is to be ready for accounting opinions to be delivered on a common set of facts
  - OPG Letter (earlier draft attached)
    - Comments from Province to be turned today
    - Provides choice to OPG Board to decide to participate based on commercial opportunity
  - OPG Actions:
    - Need a note describing why 49% / 51% split is necessary (need for accounting opinion on day 1 and throughout the program)
    - Need to better understand why OPG / Torys is seeking tax exempt status for the OPG SPV (and what that means)
- IESO
  - Ministry briefed Board earlier this week
  - Fair bit of work required on mechanics once legislation is in place

    - Will need to work with OFA on LoC, including enhancements to deal with adverse situations (if OPG does not purchase the asset)
        - Can affect credit ratings
    - Need to ensure we preserve IESO's ability and right to collect
- OEB
    - Minister's letter has been delivered to OEB in support of OEB rates
    - Comfort letter forming the basis of discussions of the RPP panel
    - April 20th announcement for May 1 rates

Affordability Fund

- Up and running
- First meeting of the advisors has occurred and they are getting ready to select Trustees

Social Programs

- Leveraging existing structures
- LDC working group next meets on Wednesday
    - Most focus on bill presentment (Province will propose minimal changes at implementation, more fundamental changes in fall, this will reduce anxiety)
- OESP
    - Reg to LRC on April 10th, approved, to be filed and posted
    - Working with MCSS for automatic enrollment (and with OEB);
        - Appear to have a path forward
        - Align with existing social assistance programs + OESP
- FN Rate
    - Meeting with Chiefs of Ontario set up on April 26th
    - Focused on implementation to move forward as quickly as possible to align with July 1 roll out
- RRRP
    - In discussions with OEB on mechanism
    - Continue to monitor rate filings including H Dx application filed last Friday and recently file InnPower application
        - Revise fiscal projections accordingly
    - Need a memo explaining why important to continue with OEB rate application process and not freeze all applications
        - OEB process allows for a fair and responsible mechanism to review rates (sometimes leads to decreases)
        - Need to maintain reliability
        - Increases may have an impact on fiscal plan
- Critical Path
    - Once legislation introduced May 1, quickly move to regulations
    - Late June LRC for July 1 implementation

ICI

- Working on promoting program, in partnership with industry partners
- Need for engagement as there is limited capacity in these organizations

From: Katona, Keley (ENERGY)
Sent: April 12, 2017 5:33 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

From:	Ronald Kwan
To:	Ken Kandeepan; Gadi Mayman; Mike Manning
Cc:	Gavin He; Anna Strathy
Subject:	RE: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Wednesday, April 12, 2017 7:37:32 PM

Good point Ken.

I'd expect that this letter could be public (OPG posts certain correspondence from its Shareholder on its website). Perhaps Gadi could ask tomorrow if that would be the case with this letter.

Ron

From: Ken Kandeepan
Sent: April-12-17 19:20
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - April 13, 2017

Hi Gadi

One comment, Minister's memo to OPG, 4th para, first sentence should include the OFA among the entities listed.

Thanks

Ken K

From: Gadi Mayman
Sent: Wednesday, April 12, 2017 5:35 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - April 13, 2017

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Wednesday, April 12, 2017 5:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair

<rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>

Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>

Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

From:	Ken Kandeepan
To:	Gadi Mayman; Ronald Kwan; Mike Manning
Cc:	Gavin He; Anna Strathy
Subject:	RE: Rate Mitigation Implementation Meeting - April 13, 2017
Date:	Wednesday, April 12, 2017 7:20:26 PM

Hi Gadi

One comment, Minister's memo to OPG, 4th para, first sentence should include the OFA among the entities listed.

Thanks

Ken K

From: Gadi Mayman
Sent: Wednesday, April 12, 2017 5:35 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - April 13, 2017

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Wednesday, April 12, 2017 5:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken - FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>;

catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>

Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Anna Strathy; Gavin He; Mike Manning; Ken Kandeepan
Subject:	RE: Rate Mitigation Implementation Meeting - April 25, 2017
Date:	Monday, May 01, 2017 6:48:10 PM
Attachments:	GA - IESO Role and Financing v4 - extract v10.pptx GA - IESO Role and Financing v4 - extract v9_Markup3.pptx

Hi Gadi,

We made a few tweaks to the slides.

Energy's PW.

Ron

From: Ronald Kwan
Sent: April-28-17 15:19
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Hi Gadi,

Would you have an idea when Energy will be circulating the draft TB Report Back?

I was talking to Steen on Wednesday on the IESO request for an expanded credit facility from the OFA, and he asked for some input.

Some potential input is attached, modifying the flow chart that Energy had in its March CabSub, to show a potential role for the OFA for financing the IESO (at least on an interim basis).

Steen also asked if we'd be looking for an approval. I'm not sure that is needed (assuming that IESO eventually can still sell the asset to OPG's SPV eventually, as planned), but perhaps a "Note" in the Minute would be helpful, along the lines of "Note that [the Minister of Finance will direct] the OFA [to/will] provide a credit facility to the IESO to facilitate …"

Energy's PW.

Ron

From: Gadi Mayman
Sent: April-25-17 23:28
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>

Subject: Fw: Rate Mitigation Implementation Meeting - April 25, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Tuesday, April 25, 2017 4:30 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY); Martin Schlaepfer (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Please find attached action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-24-17 5:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Schlaepfer, Martin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

DRAFT

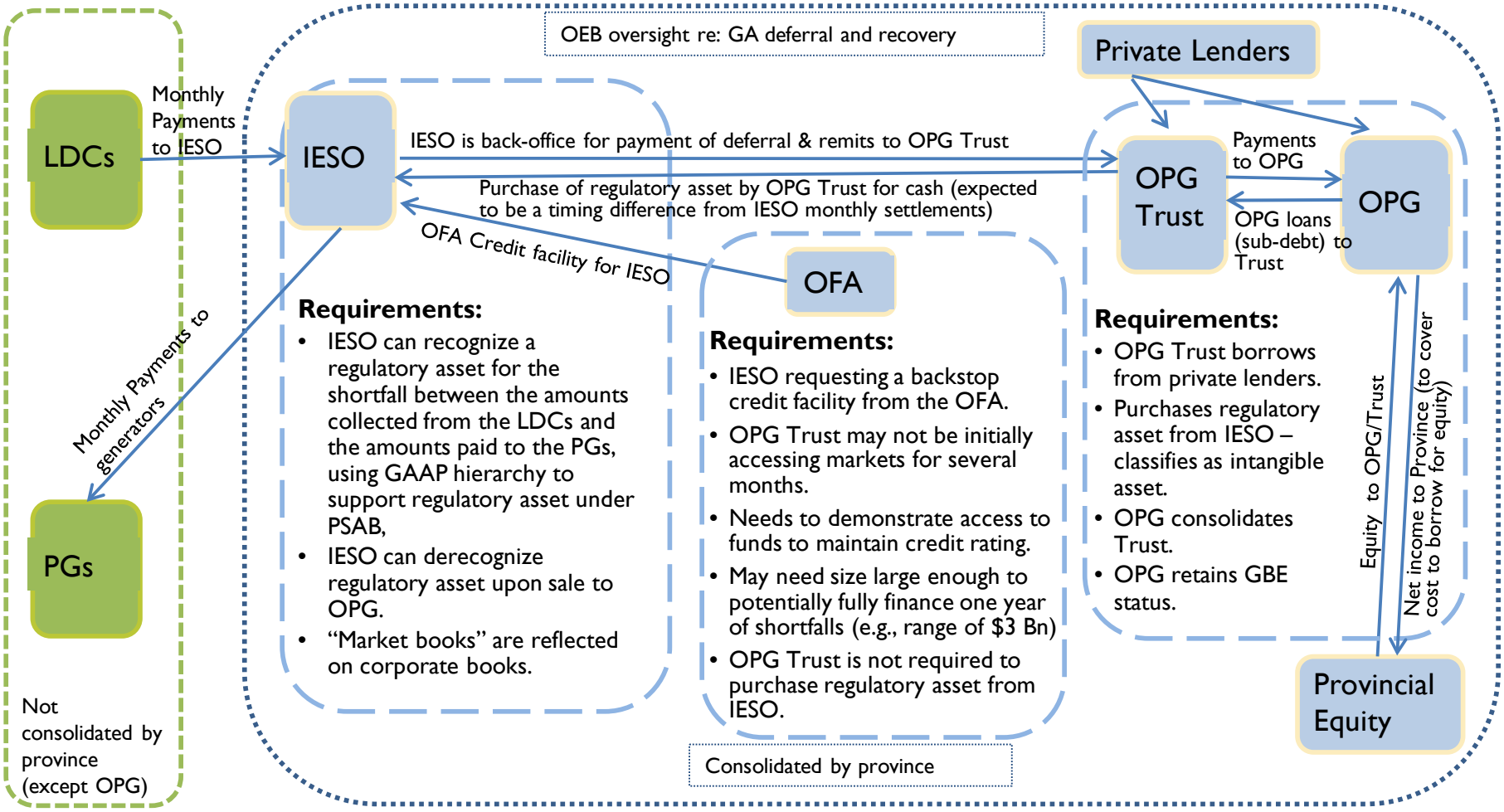
GA Financing Plan: Role of IESO

Corporate and Electricity Finance Division
May 1, 2017

DRAFT

GA Smoothing – Proposed Structure

- The following diagram provides an overview of the proposed GA smoothing structure, as well as interactions between sector entities and elements required to meet accounting objectives.



Note: Proposed structure is subject to legal and accounting confirmation, absent that confirmation, there would be a fiscal impact to the province.

IESO Financing Requirements

- IESO will need to ensure that it continues to have the funds available to provide payments to generators on a monthly basis as part of the IESO settlements process, while recoveries from LDCs for Regulated Price Plan (RPP) / Fair Hydro Plan eligible customers will be lower.
- IESO has an existing credit facility from the OFA; however, a new or expanded facility is being requested.
- IESO would require financing to compensate generators should it be required to hold any portion of the unpurchased Regulatory Asset beyond each monthly settlement period.
  - OPG Trust is not expected to access public capital markets for several months after the start of the FHP, and may be purchasing the asset with a lag vs monthly settlements. Also, OPG Trust is not required to purchase the regulatory asset.
  - IESO will need a credit facility for interim financing.
  - IESO may require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.
- Based on Ministry of Energy's GA deferral plan, it is estimated that approximately $2.5-3.0 billion need to be deferred per year for over first 10 years, equal to approximately $200-250 million per month, on average.[1]
  - The size of the credit facility required to backstop IESO could be $2.5 to $3.0 billion. [TBC]
- The monthly and annual amount being deferred and the resulting monthly amounts can be substantially different than forecast based on various factors, such as seasonality or electricity usage, as well as potential changes to electricity costs from OEB rate decisions, with IESO estimating deferral amounts as high as $400 million per month.
- Other factors that may increase IESO's financing requirements:
  - IESO will also incur financing charges that will need to be refinanced.
  - The financing and administration costs that OPG Trust incurs will need to be paid.
- There is an accounting risk on how OFA financing of the IESO requirements would be treated.
  - Even if IESO is allowed to recognized the Regulatory Asset, there is a risk as to whether this recognition will be permitted under the accounting standards (PSAS) upon consolidation with the Province.

[1] Based on Ministry of Energy's annual GA deferral amounts, assuming the monthly deferral is equally-weighted.

DRAFT

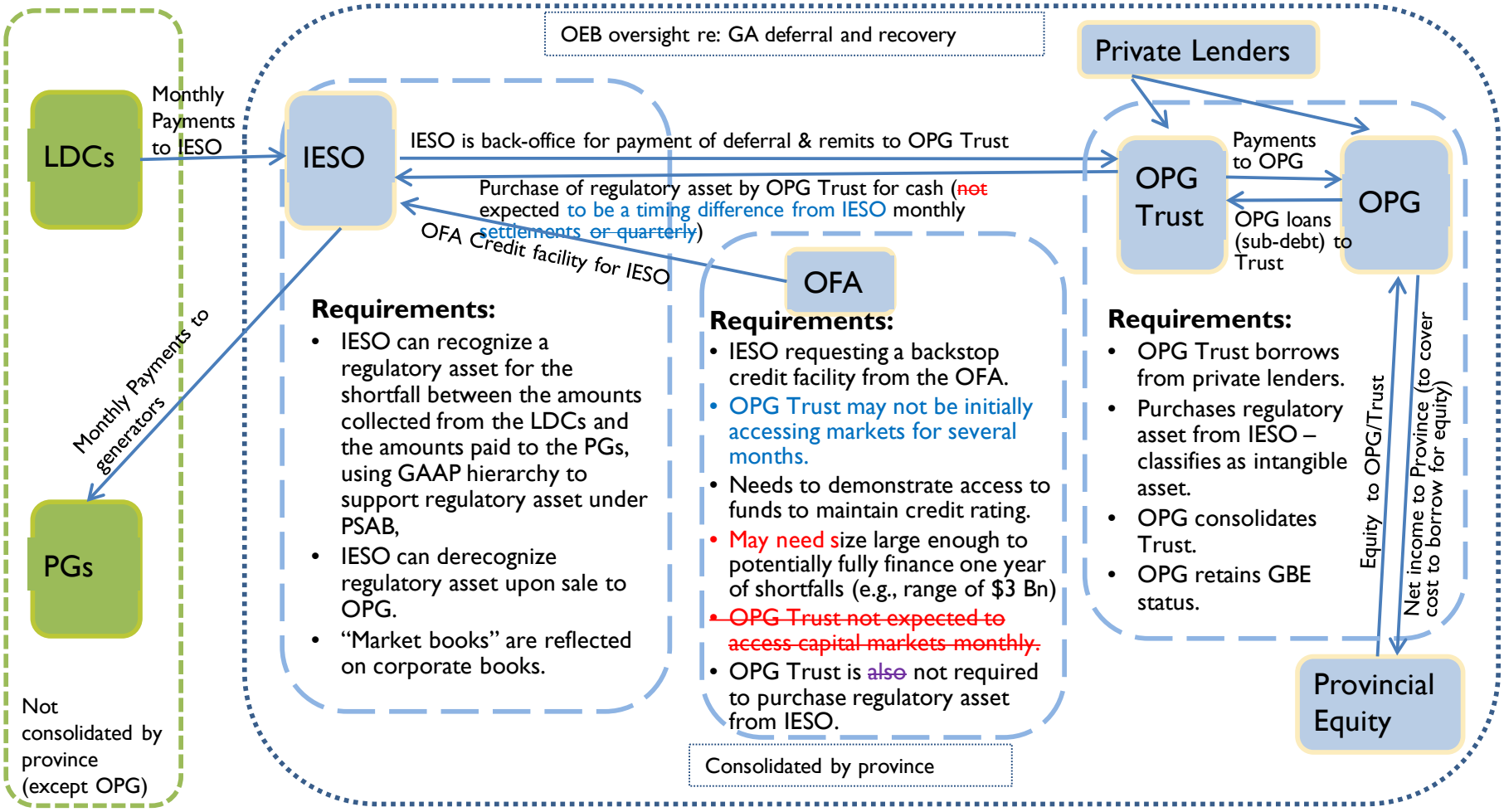
GA Financing Plan: Role of IESO

Corporate and Electricity Finance Division
April 28, 2017

DRAFT

GA Smoothing – Proposed Structure

- The following diagram provides an overview of the proposed GA smoothing structure, as well as interactions between sector entities and elements required to meet accounting objectives.



Note: Proposed structure is subject to legal and accounting confirmation, absent that confirmation, there would be a fiscal impact to the province.

DRAFT

IESO Financing Requirements

- IESO will need to ensure that it continues to have the funds available to provide payments to generators on a monthly basis as part of the IESO settlements process, while recoveries from LDCs for Regulated Price Plan (RPP) / Fair Hydro Plan eligible customers will be lower.
- IESO has an existing credit facility from the OFA; however, a new or expanded facility is being requested.
- IESO would require financing to compensate generators should it be required to hold any portion of the unpurchased Regulatory Asset beyond each monthly settlement period.
  - OPG Trust is not expected to access public capital markets for several months after the start of the FHP, and may be purchasing the asset with a lag vs monthly settlements. Also, OPG Trust is not ~~nor is it~~ required to purchase the regulatory asset.
  - IESO will need a credit facility for interim financing.
  - IESO may require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.
- Based on Ministry of Energy's GA deferral plan, it is estimated that approximately $2.5-3.0 billion need to be deferred per year for over first 10 years, equal to approximately $200-250 million per month, on average.[1]
  - The size of the credit facility required to backstop IESO could be $2.5 to $3.0 billion ~~per year~~. [TBC]
- The monthly and annual amount being deferred and the resulting monthly amounts can be substantially different than forecast based on various factors, such as seasonality or electricity usage, as well as potential changes to electricity costs from OEB rate decisions, with IESO estimating deferral amounts as high as $400 million per month.
- Other factors that may increase IESO's financing requirements:
  - IESO will also incur financing charges that will need to be refinanced.
  - The financing and administration costs that OPG Trust incurs will need to be paid.
- There is an accounting risk on how OFA financing of the IESO requirements would be treated.
  - Even if IESO is allowed to recognized the Regulatory Asset, there is a risk as to whether this recognition will be permitted under the accounting standards (PSAS) upon consolidation with the Province.

[1] Based on Ministry of Energy's annual GA deferral amounts, assuming the monthly deferral is equally-weighted.

From:	Anna Strathy
To:	Ken Kandeepan
Cc:	Gavin He; Ronald Kwan; Carlos Yep; Mike Manning
Subject:	RE: Rate Mitigation Implementation Meeting - August 10, 2017
Date:	Monday, August 14, 2017 8:30:21 AM

Thanks Ken.

From: Ken Kandeepan
Sent: Sunday, August 13, 2017 11:52 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017

Hi Anna

I understand that we will be receiving a revised term sheet for the guarantee this Monday, will forward same to you.

Thanks

Ken k

From: Anna Strathy
Sent: Friday, August 11, 2017 10:16 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - August 10, 2017

Good morning,

As you may know, coming out of the Rate Mitigation meeting yesterday with Energy, it was decided that TB/MBC will need to decide on the Provincial Guarantee. OFA has been tasked with preparing a Treasury Board submission that will track to TB/Cabinet on September 12th/13th (see attached Action Items).

I'm going to develop a first draft of the submission and circulate it to this group next week for comment. After the first round of comments, I'll recirculate to a wider group, including Scott Nelms' team and OPCD. To assist in my preparation of the submission, could I ask you to **send me any materials you have on the Provincial Guarantee** – latest term sheet, briefing notes, decks, etc.?

Mike, I know you're away next week, so if there's anything in particular that you think TB/MBC should be made aware of with respect to the decision on the guarantee, please let me know and I'll make sure it's incorporated into the submission.

Many thanks and happy to discuss.

Anna

From: Gadi Mayman
Sent: Thursday, August 10, 2017 7:05 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - August 10, 2017

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To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS); Keley Katona (ENERGY)
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Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: August 9, 2017 8:19 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Nakahara, Ken (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
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From:	Ken Kandeepan
To:	Anna Strathy
Cc:	Gavin He; Ronald Kwan; Carlos Yep; Mike Manning
Subject:	RE: Rate Mitigation Implementation Meeting - August 10, 2017
Date:	Sunday, August 13, 2017 11:51:32 AM

Hi Anna

I understand that we will be receiving a revised term sheet for the guarantee this Monday, will forward same to you.

Thanks

Ken k

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Sent: Friday, August 11, 2017 10:16 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
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Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>

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Subject: Rate Mitigation Implementation Meeting - August 10, 2017

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Martin

From: Ronald Kwan
To: Anna Strathy
Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017
Date: Friday, August 11, 2017 12:24:57 PM

Hi Anna,

Who will be preparing the materials for the August 16 briefing?

And I thought that the discussion was on the OFA doing the TB submission on the PG (Gadi referenced you at the meeting, as leading / coordinating on that), though it was subsequently discussed by Helen that Energy should do a general report back on FHP implementation, which could make it more just the OFA feeding in PG material to Energy`s report back. Is that your understanding as well?

Rom

From: Gadi Mayman
Sent: August-10-17 19:05
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - August 10, 2017

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Thanks,
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From: Anna Strathy
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017
Date: Monday, August 14, 2017 8:32:21 AM

Hi Ron,

This is very helpful. I heard something similar from the DMO late Friday. It's not entirely clear to me where the TB Sub has landed at this point, but I'll look into it and get back to you.

Anna

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Subject: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Ronald Kwan
To: John Kim
Subject: RE: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 5:52:10 PM

Hi John,

Any update / status information on this? The meeting is tomorrow morning.

Ron

From: Ronald Kwan
Sent: July-26-17 12:39
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - July 27, 2017

Hi John,

They have the Provincial Support Agreement and the equity injection as language or documents, respectively, finalised by the end of July.

Would you check on the status of both.

Thanks,
Ron

From: Gadi Mayman
Sent: July-26-17 09:39
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - July 27, 2017

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, July 26, 2017 9:23 AM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
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Subject: Rate Mitigation Implementation Meeting - July 27, 2017

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Thanks,
Martin

From: Ronald Kwan
To: Gadi Mayman
Cc: Anna Strathy
Subject: RE: Rate Mitigation Implementation Meeting - June 22, 2017
Date: Wednesday, June 28, 2017 6:30:37 PM

Thanks Gadi.

Ron

From: Gadi Mayman
Sent: June-28-17 18:24
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - June 22, 2017

No, the next one in my calendar isn't until July 13th.

On Jun 28, 2017, at 6:18 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> Is there a weekly meeting tomorrow?
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** June-23-17 10:34
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - June 22, 2017
>
> ---
>
> **From:** Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
> **Sent:** Friday, June 23, 2017 10:34 AM
> **To:** Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'

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Subject: RE: Rate Mitigation Implementation Meeting - June 22, 2017

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From: Schlaepfer, Martin (ENERGY)
Sent: June 21, 2017 8:39 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Kitchen, Matthew (ENERGY); Laughton,

Patrick (TBS); David Barrett
Subject: Rate Mitigation Implementation Meeting - June 22, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Ronald Kwan
To: Gadi Mayman
Cc: Anna Strathy
Subject: RE: Rate Mitigation Implementation Meeting - June 22, 2017
Date: Wednesday, June 28, 2017 6:18:58 PM

Hi Gadi,

Is there a weekly meeting tomorrow?

Ron

From: Gadi Mayman
Sent: June-23-17 10:34
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - June 22, 2017

From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Friday, June 23, 2017 10:34 AM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)' <maryanne.aldred@ontarioenergyboard.ca>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Evans, Karen (ENERGY) <Karen.Evans@ontario.ca>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam

(ENERGY) <Adam.Feather@ontario.ca>; Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Matthew Kitchen (ENERGY) <Matthew.Kitchen@ontario.ca>; Patrick Laughton (MOF) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>
Subject: RE: Rate Mitigation Implementation Meeting - June 22, 2017

Hi everyone,

Attached are the action items from yesterday's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: June 21, 2017 8:39 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Kitchen, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett
Subject: Rate Mitigation Implementation Meeting - June 22, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Ronald Kwan
To: John Kim; Bruno Amara
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017
Date: Thursday, June 08, 2017 10:17:25 AM

Hi,

Would the two of you have a few minutes to discuss the current status.

Thanks,
Ron

-----Original Message-----
From: Bruno Amara
Sent: June-08-17 08:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017

Further to that, I believe the decision on payment for an indemnity would be made as case arises. It be a voted appropriation. So I don't think a current appropriation is needed. However, we are asking if ENE has a line that could be used for this purpose if it becomes necessary, and if they don't I think one should be created. And Malle's advice is that this is a s.28 approval.

Interesting that ENE believes that potential expense can be covered by existing envelope but also note that potential amount is undeterminable. I guess they have a sense of the potential amounts although not indicated in their business case.

-----Original Message-----
From: John Kim
Sent: Thursday, June 08, 2017 7:59 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - June 8, 2017

Hi Ron,

We have inquired to TBS and they don't have any materials.....we are on them to follow up. In terms of the envelope, it is unquantifiable so we have inquired on that as well. Unfortunately, the key staff there are either not there or left.

John

> On Jun 8, 2017, at 7:56 AM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>
> Hi,
>
> And is there a TB report back that approves the appropriation for the indemnities? Is the statement by Energy that they can cover it in the existing Energy envelope okay, so that no new line is needed or supplementary estimates? But does the potential expenditure still need to be approved by TB, or just the s28 by MoF?
>
> Ron

>
>> On Jun 8, 2017, at 7:43 AM, John Kim <John.Kim@ofina.on.ca> wrote:
>>
>> Hi Ron,
>>
>> I'm okay with the outstanding issues piece. If you're attending this morning, it would be helpful to gauge the level of support and the timing of the requested indemnities.
>>
>> Likely, we will received merged set of questions and comments from MOF Legal and be in a position to send over to Energy policy shops (EIGS included?), Energy Legal, etc. We will run it by you beforehand.
>>
>> Thanks,
>>
>> John
>>
>> -----Original Message-----
>> From: Ronald Kwan
>> Sent: Wednesday, June 07, 2017 9:43 PM
>> To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
>> Subject: FW: Rate Mitigation Implementation Meeting - June 8, 2017
>>
>> Hi,
>>
>> Any comments, before the meeting, such as on the revised version of the outstanding business issues?
>>
>> Ron
>>
>> -----Original Message-----
>> From: Gadi Mayman
>> Sent: June-07-17 9:30 PM
>> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
>> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
>> Subject: Fw: Rate Mitigation Implementation Meeting - June 8, 2017
>>
>> Here's the material for your meeting tomorrow.
>>
>> Gadi
>>
>> Original Message
>> From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
>> Sent: Wednesday, June 7, 2017 8:02 PM
>> To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
>> Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Matthew Kitchen (ENERGY); Patrick Laughton (MOF); David Barrett
>> Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017
>>
>>
>> Good evening,
>>

>> Please find attached the material for discussion tomorrow morning.
>>
>> Thanks,
>> Martin
>>
>>
>>
>>
>>

From: Bruno Amara
To: Ronald Kwan
Cc: John Kim
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017
Date: Thursday, June 08, 2017 8:53:36 AM

Further to that, I believe the decision on payment for an indemnity would be made as case arises. It be a voted appropriation. So I don't think a current appropriation is needed. However, we are asking if ENE has a line that could be used for this purpose if it becomes necessary, and if they don't I think one should be created. And Malle's advice is that this is a s.28 approval.

Interesting that ENE believes that potential expense can be covered by existing envelope but also note that potential amount is undeterminable. I guess they have a sense of the potential amounts although not indicated in their business case.

-----Original Message-----
From: John Kim
Sent: Thursday, June 08, 2017 7:59 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - June 8, 2017

Hi Ron,

We have inquired to TBS and they don't have any materials.....we are on them to follow up. In terms of the envelope, it is unquantifiable so we have inquired on that as well. Unfortunately, the key staff there are either not there or left.

John

> On Jun 8, 2017, at 7:56 AM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
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>
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> Ron
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>> Hi Ron,
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>> I'm okay with the outstanding issues piece. If you're attending this morning, it would be helpful to gauge the level of support and the timing of the requested indemnities.
>>
>> Likely, we will received merged set of questions and comments from MOF Legal and be in a position to send over to Energy policy shops (EIGS included?), Energy Legal, etc. We will run it by you beforehand.
>>
>> Thanks,
>>

>> John
>>
>> -----Original Message-----
>> From: Ronald Kwan
>> Sent: Wednesday, June 07, 2017 9:43 PM
>> To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
>> Subject: FW: Rate Mitigation Implementation Meeting - June 8, 2017
>>
>> Hi,
>>
>> Any comments, before the meeting, such as on the revised version of the outstanding business issues?
>>
>> Ron
>>
>> -----Original Message-----
>> From: Gadi Mayman
>> Sent: June-07-17 9:30 PM
>> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
>> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
>> Subject: Fw: Rate Mitigation Implementation Meeting - June 8, 2017
>>
>> Here's the material for your meeting tomorrow.
>>
>> Gadi
>>
>> Original Message
>> From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
>> Sent: Wednesday, June 7, 2017 8:02 PM
>> To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
>> Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Matthew Kitchen (ENERGY); Patrick Laughton (MOF); David Barrett
>> Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017
>>
>>
>> Good evening,
>>
>> Please find attached the material for discussion tomorrow morning.
>>
>> Thanks,
>> Martin
>>
>>
>>
>>
>>

From: John Kim
To: Ronald Kwan; Bruno Amara
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017
Date: Thursday, June 08, 2017 7:43:33 AM

Hi Ron,

I'm okay with the outstanding issues piece. If you're attending this morning, it would be helpful to gauge the level of support and the timing of the requested indemnities.

Likely, we will received merged set of questions and comments from MOF Legal and be in a position to send over to Energy policy shops (EIGS included?), Energy Legal, etc. We will run it by you beforehand.

Thanks,

John

-----Original Message-----
From: Ronald Kwan
Sent: Wednesday, June 07, 2017 9:43 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - June 8, 2017

Hi,

Any comments, before the meeting, such as on the revised version of the outstanding business issues?

Ron

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From: Gadi Mayman
Sent: June-07-17 9:30 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - June 8, 2017

Here's the material for your meeting tomorrow.

Gadi

Original Message
From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, June 7, 2017 8:02 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Matthew Kitchen (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Nelms, Scott (MOF)
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 6:29:50 PM

Probably need Minister signature at some point. Don't see the urgency to do so prior to September. As long as we can settle business points in August. Something to confirm tomorrow.

I have not seen any new language on the guarantees. Steen seemed to think this had been left with Gadi / OFA. I wasn't at the meeting - does that sound accurate?

Sent with BlackBerry Work
(www.blackberry.com)

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Date: Wednesday, Jul 26, 2017, 5:58 PM
To: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca<mailto:Scott.Nelms@ontario.ca>>
Subject: FW: Rate Mitigation Implementation Meeting - July 27, 2017

Hi Scott,

The Business Issues document cites timeframes for the Provincial Support Agreement and the equity injection (language or documents, respectively) as finalised by the end of July. Is that on-track? I have not seen any further discussions on the support agreement since the meeting at Tory's. Has there been a lot of progress on the language.

Also, the MO was asking last week if the Minister would need to sign or approve something with respect to the support agreement (e.g., a guarantee, s.28 approval) in the coming month or so. As you know, the Minister will have limited availability in parts of the summer.

Thanks,
Ron

From: Gadi Mayman
Sent: July-26-17 09:39
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - July 27, 2017

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
Sent: Wednesday, July 26, 2017 9:23 AM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-

Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett
Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Tekle, Jonathan (MOF)
To:	Ronald Kwan
Subject:	RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Friday, June 02, 2017 10:08:33 AM

Ok, great. Any further updates to the note as result of the meeting? I can provide in his daily binder this evening.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 2, 2017 10:00 AM
To: Tekle, Jonathan (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Jonathan,

Thanks, and NP. I'd just been wondering if the note we did should be provided to the Deputy in advance. Scott N. attends the meeting on a regular basis as a matter of course, and I had already sent him a copy.

Ron

From: Tekle, Jonathan (MOF) [mailto:Jonathan.Tekle@ontario.ca]
Sent: June-02-17 09:43
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron,

Apologies for the delay, this one slipped through the cracks yesterday. Scott N attended on his behalf.

Thanks,
Jonathan

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 1, 2017 7:42 AM
To: McLean, David (MOF); Tekle, Jonathan (MOF)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Dave, Jonathan,

FYI.

Would the Deputy be attending Energy's FHP weekly?

Ron

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** May 31, 2017 at 10:51:54 PM EDT

To: "Steen Hume (CAB)" <Steen.Hume@ontario.ca>
Cc: "Hilary Cox (ENE)" <Hilary.Cox@ontario.ca>, Gadi Mayman <Gadi.Mayman@ofina.on.ca>, "Scott Nelms (ENERGY)" <Scott.Nelms@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

The attached reflects comments from OPCD, though they have not commented on this revised version, given the timing.

With comments from the group following tomorrow's meeting, we can further update.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-17 3:21 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

Cindy responded that she would send me comments this evening.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-17 13:33
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

She had a meeting to discuss potentially related issues at 1:30 with her predecessor at the time, so would not be getting back to me before then.

Ron

-----Original Message-----
From: Hume, Steen (ENERGY) [mailto:Steen.Hume@ontario.ca]
Sent: May-31-17 13:29
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron: have you heard back from Cindy?

Thanks,

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-30-17 10:10 PM
To: Mayman, Gadi (OFA); Hume, Steen (ENERGY)
Cc: Cox, Hilary (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi, Steen,

That's right, though more of a table in Word than slides. Cindy said she might have some comments on it, but not before tomorrow afternoon, so if it's okay to wait until then, it would be good to get her feedback.

Ron

-----Original Message-----
From: Gadi Mayman
Sent: May-30-17 8:36 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017

I'm not going to be there, but Ron is and he has a nice deck that's he's just putting the finishing touches on and will send over to you.

Gadi

Original Message
From: Hume, Steen (ENERGY)
Sent: Tuesday, May 30, 2017 7:38 PM
To: Gadi Mayman
Cc: Hilary Cox (ENE)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi. Hope you're keep well.

Just following up on Martin's email from last week re the action items for our next weekly OFHP meeting. Will OFA be able to bring in a comparison of the Clean Energy Adjustment with the DRC for Thursday meeting?

I'm around tomorrow if you'd like to chat. Cheers, Steen

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY)
<Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
Sent: Thursday, May 25, 2017 6:34 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF);

Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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* Critical paths from OPG, IESO and OEB

* OFA's comparison of the Clean Energy Adjustment with the DRC

* Draft Provincial Guarantees for the dealers from OPG

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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Good evening,

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From:	Nelms, Scott (MOF)
To:	Ronald Kwan
Subject:	RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Tuesday, May 30, 2017 5:54:31 PM

Thanks Ron. I will take a look. I would agree that sharing with OPG would be helpful.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May 30, 2017 5:19 PM
To: Nelms, Scott (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Scott,

We have put together a draft note on the CEA and DRC. Happy for your comments on the draft. Would you think it would be helpful to get OPG comments too, before circulating a draft to Energy for the Thursday meeting?

Cindy has the draft, but she has not yet provided comments.

Ron

From: Gadi Mayman
Sent: May-25-17 19:55
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
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> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** May 25, 2017 at 11:34:30 PM GMT+1
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>, "'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'" <maryanne.aldred@ontarioenergyboard.ca>, "'Campbell, Bruce

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From: Ronald Kwan
To: Scott Nelms (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date: Tuesday, May 30, 2017 5:18:37 PM
Attachments: Clean energy adjustment vs Debt Retirement Charge_May30.docx

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FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT VS THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge which was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) debt and other liabilities?

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Key Points	
• Proposed Fair Hydro Plan ("FHP") is being established in the context of an almost fully regulated or contracted market. o The Global Adjustment ("GA", a portion of the commodity cost of electricity) deferral portion of the FHP is to more fairly allocate the cost recovery from ratepayers of the cost of certain investments in generation assets and conservation that are expected to last longer than their typically 20-year contract terms.	• The 1999 electricity sector restructuring was under the *Energy Competition Act, 1998*, ("ECA") to move Ontario's electricity sector to a competitive structure, including providing for private sector involvement and a market price for the electricity commodity.
• This GA deferral portion of the FHP is being established under legislation and a regulatory framework, underpinning the establishment of a regulatory asset, with a deferral account for the deferred portion of GA costs and the associated financing costs.	• The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory structure (e.g., with no role for the OEB), and there was no defined deferral account balance or a particular amount to be recovered under the DRC. The DRC was authorized under the Electricity Act, 1998, until the "residual stranded debt" ("RSD") was retired, as determined by the Minister of Finance. o Because of the ECA's purpose was to provide for a competitive market, the actual annual amounts of other dedicated revenues (e.g., PILs, electricity sector dedicated income – "ESDI") to be paid to OEFC was uncertain, since it depended on the successor companies' actual financial performance. Therefore, the timeframe for retiring RSD was uncertain – so the length and total amount of DRC required was uncertain.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
• The Clean Energy Adjustment ("CEA") reflects the recovery of the deferral account balance, with a legal/regulatory structure supporting certainty on the ability to recover, and as defined over a particular timeframe to be defined under the proposed FHP Act. o The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager).	• The DRC reflects a portion of the disaggregation of the old "bundled rate" of the old Ontario Hydro that included cost recovery related to generation, transmission and central market services, and including debt costs. o The DRC reflected the break-up of the old Ontario Hydro, vertically-integrated monopoly and its bundled rates into commodity, delivery, central market, and a portion of legacy debt service components. It was not considered a "new" or additional cost for the all-in price of electricity. o As such, the intention of establishing the DRC framework was not to shift in time the cost recovery of the old Ontario Hydro debt and other liabilities.
• As a result of the deferral, financing is required, resulting in additional gross debt under the proposed structure.	• "Unbundling" the rates did not in itself create new debt. Though the estimated liability for non-utility generator contracts became recognized on OEFC's balance sheet, cost recovery of those contracts had been part of the old Ontario Hydro bundled rates.
• The Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	• The DRC was set by the government, under the *Electricity Act, 1998*, at 0.7 cents per kilowatt-hour for most electricity consumed in Ontario. It is paid to OEFC, and, under an MOU, administered by the Ministry of Finance (originally by the former Ministry of Revenue). • Having the old Ontario Hydro debt and other liabilities managed by OEFC, and the DRC paid to OEFC, with separate, audited financial statements, provided for transparency and accountability. o [Note: An argument was made back in the 1999 and 2000 period that OEFC's revenues over time, as dedicated to it under legislation, could be reflected as assets on OEFC's balance sheet. In the end, this was not the accounting treatment established for OEFC.]

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Detailed Context	
The CEA, as proposed, arises from the Government's policy to shift a portion of GA costs to the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue to future generations. Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity infrastructure investments on an ongoing basis. The size and timing of these investments led to significant increases in electricity bills through the GA charge. While the majority of the contracted generation is for a 20-year term, the generating assets are expected to have ongoing useful life beyond that term and benefit future ratepayers. The government's proposed Fair Hydro Plan would relieve some of the current GA cost burden on today's ratepayers and share costs more fairly, by refinancing a portion of the GA, and recovering costs in the future through a deferral account. This would provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, in addition to the deferred amounts of GA costs, the cost of refinancing would be recovered from ratepayers. This recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from consumers in the future to pay principal, interest, transaction costs and administrative costs associated with the fair adjustment and consistent with the fair allocation amount.	The OEFC stranded debt arose in 1999 as a result of the restructuring of the electricity sector under the *Energy Competition Act, 1998*. • The underlying policy intent was to create competition in the sector, including the break-up of the former Ontario Hydro and creating a tax-payments-in-lieu of taxes level playing field for private and public sector owned electricity companies. • The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.1 billion. The $38.1 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.1 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies, in particular OPG, Hydro One and IESO, however, OEFC was left with $20.9 billion in stranded debt. Conceptually, stranding was generated by two factors: • "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – as regulated for Hydro One, and as for comparable competitive generators for OPG}. • "Competition" stranding, where the projected future commodity price of electricity was estimated to be lower than the former rate-regulated price, such that OPG could support a lower level of debt, and a liability was created with respect to

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
The debt that the CEA will retire, is not pre-existing but arises out of the policy choice to shift a portion of contract cost recovery plus the cost of financing that shift from current monthly settlements to the future in order to more fairly share electricity infrastructure investment costs.	the legacy power purchase agreements (PPAs) with non-utility generators (NUGs). To allow OEFC to service and retire $38.1 billion in total debt, including the $20.9 billion in stranded debt, the Province established a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity-sector companies. • This included dedicating the amounts to OEFC related to the "commercial" stranding: PILs to OEFC and the "Electricity Sector Dedicated Income" in respect of the net income (i.e., ROE) in excess of the Province's financing cost for the equity. • As PILs were dedicated to OEFC, they were not considered to be a net pressure on all-in prices, simply replacing a portion of debt-service costs that had been embedded in the old regulated prices of Ontario Hydro. The higher ROE was also effectively recycled too. • As of April 1, 1999, the present value of these revenue streams was estimated at $13.1 billion, leaving an estimated $7.8 billion of "residual stranded debt". • Due to the uncertainty discussed above, the Act provided for the Minister of Finance to update the RSD determination from time to time. The Debt Retirement Charge (DRC) on electricity bills was established under the Electricity Act, 1998, to be paid to the OEFC until the *residual stranded debt* was retired (as determined by the Minister of Finance). • As this was related to "competition" stranding, which created price room due from the lower projected commodity price, the DRC was not considered to be creating price pressure, but was in effect just a disaggregation of a portion of the debt service costs embedded in the old regulated rates of Ontario Hydro.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Fiscal Impact to the Province	
Under the proposed financing structure, transactions related to GA refinancing, including CEA payments, are not consolidated to the Province, and generally are not expected to have a material net impact on the Province's financial statements, annually or over time. o OPG's net income is expected to increase by the amount of the interest it charges to the Trust on the debt issued to the Trust funded by the 44% equity injection. That net income increase will provide a fiscal offset to the Province's increased IOD from the Province's borrowings related to the equity injection.	The DRC, paid by electricity rate payers, is a revenue to the OEFC and in turn the Province upon consolidation. The DRC increases revenues, and helps offset debt service costs of OEFC (and the Province, on consolidation). Over time, where OEFC has an excess of revenues (including DRC) over expense, this decreases OEFC's unfunded liability (sometimes called "stranded debt"). Note: Stranded debt is included in the measurement of the Province's net debt
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined. The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment End Date	
The reference period as stated in the proposed Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed in regulation. Correspondingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Initially, under the *Electricity Act, 1998*, the DRC payment period was open ended with the intention to end the DRC once the residual stranded debt is retired. The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
	One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2014 Budget, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2016. The government introduced legislation, passed on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and all other users.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132 *Ontario Fair Hydro Plan Act, 2017*

MAY 24 ,2017

"The accounting transaction is structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity costs from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an accounts receivable that it expects to collect from future ratepayers between 2022 and 2047 that is not yet an accounts receivable because the consumer has not yet used the electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, which had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity ratepayers. This approach would have fully offset the total stranded debt, such that there would have been no net debt impact reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned." [end quote] The government heard these concerns and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe those concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting had not been finalized. In this year's audit, we found that the Ministry of Finance had not adequately supported recognition of the deferred charge as an asset. Accordingly, we found it necessary to conduct extensive accounting research. Based on a full assessment of the proposed accounting, an exhaustive review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not finalized until late October. The final financial statements included the net assets/ liabilities and operating results of the four electricity entities owned by the province, and we concluded that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 26, 2017

From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Anna Strathy; Gavin He; Ken Kandeepan
Subject:	RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Monday, May 29, 2017 3:52:05 PM
Attachments:	Clean energy adjustment vs Debt Retirement Charge_May29_v2.docx

Hi Gadi

Attached is a draft product to respond to the request for a comparison of the Clean Energy Adjustment to the DRC.

Ken saw an earlier draft, but has not commented on this version.

Cindy had also asked for a copy, but she has not provided any comments on the earlier version.

Your comments are most welcome.

Ron

From: Gadi Mayman
Sent: Thursday, May 25, 2017 7:55 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** May 25, 2017 at 11:34:30 PM GMT+1
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>, "'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'" <maryanne.aldred@ontarioenergyboard.ca>, "'Campbell, Bruce (bruce.campbell@ieso.ca)'" <bruce.campbell@ieso.ca>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)"

<Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'sarah.branco@ontarioenergyboard.ca'" <sarah.branco@ontarioenergyboard.ca>, "'Turnevicius, Lorraine'" <lorraine.turnevicius@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Thompson, Erin (ENERGY)" <Erin.Thompson@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi everyone,

Please find attached the action items from today's meeting. For any items that require providing materials for next week's meeting, please send them to me in advance by end of day Tuesday. I will ensure hard copies are available at the meeting.

For next week it would be helpful to receive materials for the following items:

- Critical paths from OPG, IESO and OEB
- OFA's comparison of the Clean Energy Adjustment with the DRC
- Draft Provincial Guarantees for the dealers from OPG

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster,

Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 25, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT VS THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge which was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) debt and other liabilities?

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Key Points	
• Proposed Fair Hydro Plan ("FHP") is being established in the context of an almost fully regulated or contracted market. o The Global Adjustment ("GA", a portion of the commodity cost of electricity) deferral portion of the FHP is to more fairly allocate the cost recovery from ratepayers of the cost of certain investments in generation assets and conservation that are expected to last longer than their typically 20-year contract terms.	• The 1999 electricity sector restructuring was under the *Energy Competition Act, 1998*, ("ECA") to move Ontario's electricity sector to a competitive structure, including providing for private sector involvement and a market price for the electricity commodity.
• This GA deferral portion of the FHP is being established under legislation and a regulatory framework, underpinning the establishment of a regulatory asset, with a deferral account for the deferred portion of GA costs and the associated financing costs.	• The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory structure (e.g., with no role for the OEB), and there was no defined deferral account balance or a particular amount to be recovered under the DRC. The DRC was authorized under the Electricity Act, 1998, until the "residual stranded debt" ("RSD") was retired, as determined by the Minister of Finance. o Because of the ECA's purpose was to provide for a competitive market, the actual annual amounts of other dedicated revenues (e.g., PILs, electricity sector dedicated income – "ESDI") to be paid to OEFC was uncertain, since it depended on the successor companies' actual financial performance. Therefore, the timeframe for retiring RSD was uncertain – so the length and total amount of DRC required was uncertain.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
• The Clean Energy Adjustment ("CEA") reflects the recovery of the deferral account balance, with a legal/regulatory structure supporting certainty on the ability to recover, and as defined over a particular timeframe to be defined under the proposed FHP Act. o The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager).	• The DRC reflects a portion of the disaggregation of the old "bundled rate" of the old Ontario Hydro that included cost recovery related to generation, transmission and central market services, and including debt costs. o The DRC reflected the break-up of the old Ontario Hydro, vertically-integrated monopoly and its bundled rates into commodity, delivery, central market, and a portion of legacy debt service components. It was not considered a "new" or additional cost for the all-in price of electricity. o As such, the intention of establishing the DRC framework was not to shift in time the cost recovery of the old Ontario Hydro debt and other liabilities.
• As a result of the deferral, financing is required, resulting in additional gross debt under the proposed structure.	• "Unbundling" the rates did not in itself create new debt. Though the estimated liability for non-utility generator contracts became recognized on OEFC's balance sheet, cost recovery of those contracts had been part of the old Ontario Hydro bundled rates.
• The Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	• The DRC was set by the government, under the *Electricity Act, 1998*, at 0.7 cents per kilowatt-hour for most electricity consumed in Ontario. It is paid to OEFC, and, under an MOU, administered by the Ministry of Finance (originally by the former Ministry of Revenue). • Having the old Ontario Hydro debt and other liabilities managed by OEFC, and the DRC paid to OEFC, with separate, audited financial statements, provided for transparency and accountability. o [Note: An argument was made back in the 1999 and 2000 period that OEFC's revenues over time, as dedicated to it under legislation, could be reflected as assets on OEFC's balance sheet. In the end, this was not the accounting treatment established for OEFC.]

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Detailed Context	
The CEA, as proposed, arises from the Government's policy to shift a portion of GA costs to the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue to future generations. Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity infrastructure investments on an ongoing basis. The size and timing of these investments led to significant increases in electricity bills through the GA charge. While the majority of the contracted generation is for a 20-year term, the generating assets are expected to have ongoing useful life beyond that term and benefit future ratepayers. The government's proposed Fair Hydro Plan would relieve some of the current GA cost burden on today's ratepayers and share costs more fairly, by refinancing a portion of the GA, and recovering costs in the future through a deferral account. This would provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, in addition to the deferred amounts of GA costs, the cost of refinancing would be recovered from ratepayers. This recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from consumers in the future to pay principal, interest, transaction costs and administrative costs associated with the fair adjustment and consistent with the fair allocation amount.	The OEFC stranded debt arose in 1999 as a result of the restructuring of the electricity sector under the *Energy Competition Act, 1998*. • The underlying policy intent was to create competition in the sector, including the break-up of the former Ontario Hydro and creating a tax-payments-in-lieu of taxes level playing field for private and public sector owned electricity companies. • The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.1 billion. The $38.1 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.1 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies, in particular OPG, Hydro One and IESO, however, OEFC was left with $20.9 billion in stranded debt. Conceptually, stranding was generated by two factors: • "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – as regulated for Hydro One, and as for comparable competitive generators for OPG}. • "Competition" stranding, where the projected future commodity price of electricity was estimated to be lower than the former rate-regulated price, such that OPG could support a lower level of debt, and a liability was created with respect to

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
The "debt" that the CEA will retire, is not pre-existing but arises out of the policy choice to shift a portion of contract cost recovery plus the cost of financing that shift from current monthly settlements to the future in order to more fairly share electricity infrastructure investment costs.	the legacy power purchase agreements (PPAs) with non-utility generators (NUGs). To allow OEFC to service and retire $38.1 billion in total debt, including the $20.9 billion in stranded debt, the Province established a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity-sector companies. • This included dedicating the amounts to OEFC related to the "commercial" stranding: PILs to OEFC and the "Electricity Sector Dedicated Income" in respect of the net income (i.e., ROE) in excess of the Province's financing cost for the equity. • As PILs were dedicated to OEFC, they were not considered to be a net pressure on all-in prices, simply replacing a portion of debt-service costs that had been embedded in the old regulated prices of Ontario Hydro. The higher ROE was also effectively recycled too. • As of April 1, 1999, the present value of these revenue streams was estimated at $13.1 billion, leaving an estimated $7.8 billion of "residual stranded debt". • Due to the uncertainty discussed above, the Act provided for the Minister of Finance to update the RSD determination from time to time. The Debt Retirement Charge (DRC) on electricity bills was established under the Electricity Act, 1998, to be paid to the OEFC until the *residual stranded debt* was retired (as determined by the Minister of Finance). • As this was related to "competition" stranding, which created price room due from the lower projected commodity price, the DRC was not considered to be creating price pressure, but was in effect just a disaggregation of a portion of the debt service costs embedded in the old regulated rates of Ontario Hydro.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Fiscal Impact to the Province	
Under the proposed financing structure, transactions related to GA refinancing, including CEA payments, are not consolidated to the Province, and generally are not expected to have a material net impact on the Province's financial statements, annually or over time. o OPG's net income is expected to increase by the amount of the interest it charges to the Trust on the debt issued to the Trust funded by the 44% equity injection. That net income increase will provide a fiscal offset to the Province's increased IOD from the Province's borrowings related to the equity injection.	The DRC, paid by electricity rate payers, is a revenue to the OEFC and in turn the Province upon consolidation. The DRC increases revenues, and helps offset debt service costs of OEFC (and the Province, on consolidation). Over time, where OEFC has an excess of revenues (including DRC) over expense, this decreases OEFC's unfunded liability (sometimes called "stranded debt"). Note: Stranded debt is included in the measurement of the Province's net debt
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined. The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment End Date	
The reference period as stated in the proposed Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed in regulation. Correspondingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Initially, under the *Electricity Act, 1998*, the DRC payment period was open ended with the intention to end the DRC once the residual stranded debt is retired. The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
	One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2014 Budget, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2016. The government introduced legislation, passed on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and all other users.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132 *Ontario Fair Hydro Plan Act, 2017*

MAY 24 ,2017

"The accounting transaction is structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity costs from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an accounts receivable that it expects to collect from future ratepayers between 2022 and 2047 that is not yet an accounts receivable because the consumer has not yet used the electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, which had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity ratepayers. This approach would have fully offset the total stranded debt, such that there would have been no net debt impact reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned." [end quote] The government heard these concerns and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe those concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting had not been finalized. In this year's audit, we found that the Ministry of Finance had not adequately supported recognition of the deferred charge as an asset. Accordingly, we found it necessary to conduct extensive accounting research. Based on a full assessment of the proposed accounting, an exhaustive review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not finalized until late October. The final financial statements included the net assets/ liabilities and operating results of the four electricity entities owned by the province, and we concluded that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 26, 2017

From:	John Kim
To:	Ronald Kwan
Cc:	Gavin He; Bruno Amara
Subject:	RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date:	Friday, May 26, 2017 5:48:07 PM
Attachments:	Clean energy adjustments vs Debt Retirement Charge_May25 vClean_Markup2Clean_Markup.docx

With that one too.

John

From: Ronald Kwan
Sent: Friday, May 26, 2017 5:45 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

Another highlighted edit on page 4.

Ron

From: Ronald Kwan
Sent: May-26-17 17:38
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

On the previous version, I made a few more edits, as highlighted.

Ron

From: John Kim
Sent: May-26-17 17:36
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi Ron,

Looks fine to us.

We just cleaned up the formatting as some fonts were invisible, etc.

The only comment I had was in regards to the following bullet. It's the part about "competitive for OPG" at the very end, didn't fully understand.

Thanks.

- "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – regulated for Hydro One, competitive for OPG}.

From: Ronald Kwan
Sent: Friday, May 26, 2017 5:08 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi John,

How about this? I'd like to circulate a draft today. Could you review ASAP.

Thanks,
Ron

From: John Kim
Sent: May-25-17 17:02
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi Ron,

Pls. see attached. Your feedback would be welcome as we have gone through several iterations over the past few days.

Thanks,

John

From: Ronald Kwan
Sent: Friday, May 19, 2017 7:37 AM
To: John Kim <John.Kim@ofina.on.ca>

Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

Cindy said that next week would be fine.

Thanks,
Ron

On May 19, 2017, at 6:29 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Sure, will do. Any comments on the note last night would be welcome but will engage team members today and next week.
>
> John
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** May-19-17 1:22 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - May 18, 2017
>
> Hi John,
>
> Note the point on "OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge."
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** May-18-17 8:16 PM
> **To:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
> **Subject:** Fw: Rate Mitigation Implementation Meeting - May 18, 2017
>
> I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.
>
> Gadi
>
> ---
>
> **From:** Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
> **Sent:** Thursday, May 18, 2017 6:53 PM
> **To:** Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); 'jeffrey.lyash@opg.com'

(jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT VS THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge (DRC) that was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) [redacted] debt?

COMPARISON

Fair Hydro Plan and the Fixed Electric Attachment	2005 Ontario Hydro Restructuring and the Debt Retirement Charge
Key Points	
• Proposed Fair Hydro Plan ("FHP"), being enabled last in the context of an already fully regulated or contracted market.	• The 2005 electricity sector restructuring was undertaken to introduce competition in the OEFC's generation business so as to create a competitive structure, including providing for private sector involvement and a market price for the electricity commodity.
• The Global Adjustment ("GA", a portion of the commodity cost of electricity) deferral portion of the FHP is, being established under legislation and a regulatory framework, underpinning the [redacted] amount to be recovered from ratepayers to account for the deferred portion of GA costs, and the associated financing costs.	• The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory structure [redacted] variance or a particular amount to be recovered under the DRC. The DRC was authorized under the Electricity Act, 1998, until the "residual debt amount" ("RDA") was retired, as determined by the Minister of Finance.
• The CEA deferral is to more fully allocate the cost recovery from ratepayers of the cost of contract investments in generation assets and conservation that are expected to last longer than typically 20 year contract terms.	• The DRC reflects a portion of the disaggregation of the old "bundled cost" of the old Ontario Hydro that included a not recovery return on investment, taxes, interest and provision for the OEFC's and funding debt costs.
	○ As such, the intention of establishing the DRC framework was not to shift in time, or across different customers or customer classes, the cost recovery of the old Ontario Hydro debt and other

Fair Hydro Plan and the Giant Energy Adjustment	2005 Ontario Hydro Restructuring and the Debt Retirement Charge
	liabilities. It reflected the break-up of the vertically-integrated monopoly and its bundled rates into separate charges for the former market, and a portion of legacy debt came to consumers.
The Giant Energy Adjustment ("GEA") reflects the recovery of the deferred carried balance, with a legal/regulatory structure supporting stability on the ability to recover, and as defined terms in particular timeframes to be delivered under the proposed FHP Act.	The stated rate the case, though an argument was made back to 2005 that the DRC should be "sunset" at a point in time, or dedicated to a certain legislature, could be relied on as much as 100% to become a fact. In the end, this was not the case. The investment was published for 2005.
Under legal criteria Giant, GEA payments payable credit are determined by the Fair Hydro Plan and the Financial Services Regulator.	As noted above, by design, there was no defined amount that the DRC was to collect.
The standard may be illegal shall determine the value of which cash flow payments, and interest rates that determine amounts.	The focus of the FCO's purpose was to provide for a competitive market, the actual annual amounts of other dedicated revenues (e.g., PILs, RSC) to be paid to OEFC was uncertain since it is dependent on the market price of electricity and generator performance. Therefore, the timeframe for retiring RSC was uncertain – not the length and total amount of DRC required was uncertain. I.e., again, this was not a deferral account since the amount was not known at the time of DRC assets which the Giant Energy Adjustment would be applied.
	Also, OEFC was not the only organization to or assets was originally given to OEFC, but also to the Ontario Power Generation Inc. ("OPG"). OPG was also responsible for the balance of Ontario's nuclear assets, OEFC's debt retirement charge was not applicable to OPG.
	Paying the old Ontario Hydro debt and other liabilities managed by OEFC, and the DRC paid to OEFC, with separate, audited finance (all trademarks, provided for more purpose) and are avoided by.
Detailed Content	

Announced (Mid) and fully enacted

Announced (Late) but not in effect

Formulated Interim with Certain, No Guidance Confirmed

Formulated Interim with Certain, No Guidance Confirmed

Fair Hydro Plan and the Fixed Carbon Allowance	1998 Ontario Hydro Restructuring and the Debt Retirement Charge
Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $20 billion in electricity generation to replace coal-fired generation. Most of the costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity conservation and renewable energy programs. The size and timing of these investments led to significant increases in electricity bills through the GA charge. While the majority of the contracted generation is for a 20-year term, the generating assets are expected to have ongoing useful life beyond the contract term. The cost of these assets, as proposed under the Fair Hydro Plan would relieve some of the current GA cost burden on today's ratepayers, and in turn some more likely, by refinancing a portion of the GA costs over the expected lifecycle of the infrastructure. The would provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be shifted to the proposed Fixed Carbon Allowance (FCA). Under the FCA scheme, the cost of self-sourcing would be recovered from ratepayers. The recovery is the clean energy adjustment (CEA). It is the amount that will be collected from ratepayers to cover the cost of the FCA, including transaction costs and administrative costs, accrued with the fair adjustment and consistent with the fair allocation amount. The GA value, from the Government's policy on either a portion of GA costs in the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue on future generations.	The IESO's mandate dates since in 1998 as a result of the restructuring of the electricity system under the Energy Competition Act, 1998. - "Stranded debt" standing, as a result of the restructuring of the sector, including the break-up of the former Ontario Hydro and creating a 'tax payments in lieu of taxes' level playing field for the new generation and transmission companies; and - The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.3 billion. The $38.3 billion in debt and other liabilities was considered a barrier to the province's electricity generation and transmission infrastructure. A portion of the $38.3 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies. In particular OPG, Hydro One and IESO, however, OEFC was left with $19.4 billion in unfunded debt. Conceptually, stranding was perceived by two factors: - "Commercial" stranding, as level playing field "fix," were put in place to ensure that the new companies, in particular OPG, had no super-debt, and as the commercial successor companies would have a higher cost of capital (a higher, commercial ROE for equity (ROE) – regulated for Hydro One, competitive for OPG); - "Competitive" stranding, where the projected future commodity prices of electricity was anticipated to be lower than the cost of existing and committed generation. Competitive stranding was in two virtually exclusive forms, one created with respect to

Fall-Ingles Plan and the Asset Farmer (All of them)	2005 Ontario Fights Restructuring and the Debt Retirement Charge
The "debt" that the OEA will not be, is not yet electing but article, out of the policy chose on the OEA a portion of contract cost necessary, them Ontario Electricity Financial Corporation (OEFC), in order to invest, by by then electricity, infrastructure investment costs.	the legacy power purchase agreements (PPAs) with non-utility generators. [NUGs]. To allow OEFC to service and re-fund $38.1 billion in total debt, including the $19.4 billion in stranded debt, the Province would hold a long-term debt obligation to OEFC, which would be serviced by through debt-retirement charges from electricity ratepayers. This included dedicating the amounts, to OEFC, related to the Provincial Electricity Act, 1998, Regulation 53/05 ("Debt Retirement Charge Dedicated Income" in respect of the net income (i.e., RIDE) in access of the Province's financing cost for the equity. The Province would also transfer to OEFC its ownership interest in its net proceeds on all its prices, simply replacing a portion of debt costs in a rock that had been embedded in the old regulated rate structure for hydro. The higher RDI was also effective the recycled loss. As of April 1, 1999, the present value of these revenues streams was estimated at $20.9 billion, with OEFC bearing an estimated $1.5 billion of "residual stranded debt". The Debt Retirement Charge (DRC) on electricity bills, was established under the Electricity Act, 1998, to be paid to the IESO and then remitted for the residual stranded debt. [https://www.ieso.ca/-/media/files/ieso/document-library/regulatory/retail-settlement/rs_ch_drc.pdf?la=en] At this was related to "competitive" stranding, which created price wars due from the lower projected commodity price, this OEFC was established to issue debt to the Province in order to in effect and a disaggregation of a portion of the debt-service costs embedded in the old regulated rates. of Ontario Hydro.
Fiscal Imaccine the Province	

Fair Hydro Plan and the Stranded Debt Settlement	2005 Ontario Hydro Restructuring and the Debt Retirement Charge
Under the proposed financing structure, Newco has no debt, related to OLC refinancing, including OLC payments, are not consolidated to the Province's financial statements and have no impact on the Province's financial statements, annually or over time.	The OMC, and by electricity rate payers, is a revenue to the ESTC which form the Province upon consolidation. The OMC increases revenues, and helps offset debt service costs of ESTC (and the Province, on consolidation). Over time, where ESTC has an excess of revenues (including OMC) over expenses, this decreases ESTC's unfunded liability (sometimes called "Stranded debt"). Note: Stranded debt is included in the measurement of the Province's net debt.
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined. The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Ontario Energy Board shall determine the rates at which to pass that payment are recovered over the reference period.	The Debt Retirement Charge is per-unit, and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment Cash Date	
The reference period as stated in the proposed Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed on regulation. During pendingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Finally, under the Electricity Act, 1998, the OMC payment period has been ended with the intention to end the OMC once the residual stranded debt is retired. The estimated retirement of residual stranded debt was subject to change, depending on the future cash flows of the electricity sector, ie ESTC, which is dependent on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates, and electricity consumption.

Fair Hydro Plan and the Grant Energy Settlement	2009 Ontario Hydro Restructuring and the Debt Retirement Charge
	As included in the 2010 Budget, the government has removed the DRC from electricity bills effective January 1, 2018 (the "DRC Date"). The government introduced legislation, passed on December 13, 2017, the Budget Measures Act, 2017, to impose a fixed cost date for the DRC of April 1, 2018, for commercial, industrial and all other rates

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
MAY 24, 2017

"The accounting transaction's structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity rate from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an amount it expects to collect in the future from future ratepayers between 2022 and 2037 that is not yet an income, receivable because the consumer has not yet used that electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the unrecorded debt, while it had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and thereby avoid recording the debt's impact on the Province's bottom line. Ultimately, the debt was recorded and the net impact of the debt was reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [asset] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the fundamental principles of accounting for assets and liabilities, namely that an asset is not recorded if it is not probable that future economic benefits will flow to anyone, and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe these concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting treatment were not finalized. In this year's audit, we have been informed by the Ministry of Finance that it is supporting the creation of a deferred charge to be written down over a 15-year period. Based on our review of the relevant legislation, Canadian generally accepted accounting principles for accounting, shareholder review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an evolving liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not factored until late October. The final financial statements included the net assets/liabilities and operating results, of the four electricity entities owned by the province, and accountabled that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 26, 2017

From:	Ronald Kwan
To:	John Kim
Cc:	Gavin He; Bruno Amara
Subject:	RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date:	Friday, May 26, 2017 5:44:57 PM
Attachments:	Clean energy adjustments vs Debt Retirement Charge_May25 vClean_Markup3.docx

Hi,

Another highlighted edit on page 4.

Ron

From: Ronald Kwan
Sent: May-26-17 17:38
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

On the previous version, I made a few more edits, as highlighted.

Ron

From: John Kim
Sent: May-26-17 17:36
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi Ron,

Looks fine to us.

We just cleaned up the formatting as some fonts were invisible, etc.

The only comment I had was in regards to the following bullet. It's the part about "competitive for OPG" at the very end, didn't fully understand.

Thanks.

- "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – regulated for Hydro One, competitive for OPG}.

From: Ronald Kwan
Sent: Friday, May 26, 2017 5:08 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi John,

How about this? I'd like to circulate a draft today. Could you review ASAP.

Thanks,
Ron

From: John Kim
Sent: May-25-17 17:02
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi Ron,

Pls. see attached. Your feedback would be welcome as we have gone through several iterations over the past few days.

Thanks,

John

From: Ronald Kwan
Sent: Friday, May 19, 2017 7:37 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

Cindy said that next week would be fine.

Thanks,
Ron

On May 19, 2017, at 6:29 AM, John Kim <John.Kim@ofina.on.ca> wrote:

Sure, will do. Any comments on the note last night would be welcome but will engage team members today and next week.

John

From: Ronald Kwan
Sent: May-19-17 1:22 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - May 18, 2017

Hi John,

Note the point on "OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge."

Ron

From: Gadi Mayman
Sent: May-18-17 8:16 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - May 18, 2017

I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.

Gadi

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

COMMERCIALLY SENSITIVE AND CONFIDENTIAL

NGR MYDIN PLANT'S CLEAN ENERGY ADJUSTMENT VS THE ERC'S ENERGY FUEL CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Ten Years Power Plan (TYPP) and the Feed-in-Tariff Rate Adjustment Mechanism (FiTAM) to be implemented by Indy-service and interim the Dynamic Electricity Pre-and-Corporation's (DEPC) Energy Fuel Charge (EFC) ~~and Fuel Adjustment Charge (FAC)~~?

COMPARISON

Ten Years Power Plan (TYPP) Clean Energy Adjustment	2009 Feed-in-Tariff Rate Adjustment Mechanism (FiTAM)
Key Issues	
• Proposed Ten Years Power Plan (TYPP) is clearly explained on the company's website (i.e. document is available online)	• The 2009 Feed-in-Tariff Rate Adjustment Rate under the Feed-in-Tariff Rate Adjustment Mechanism (FiTAM) is clearly explained on the Energy Regulatory Commission's website (i.e. document is available online)
• The Clean Energy Adjustment (CEA) is a portion of the consumer's monthly electricity bill which is based on the Clean Energy Adjustment Factor (CEAF) and consumer's monthly kilowatt-hour (kWh) consumption.	• The Feed-in-Tariff Rate Adjustment Charge (FiTAC) is also provided for under the Feed-in-Tariff Rate Adjustment Mechanism (FiTAM) and is calculated in accordance with the Feed-in-Tariff Rate Adjustment Factor (FiTAF) and the consumer's monthly kilowatt-hour (kWh) consumption.
• The Clean Energy Adjustment Factor (CEAF) is the amount per kilowatt-hour (kWh) which is applied to the consumer's monthly billing to recover the additional cost of generation, which will be borne by the consumers in the form of a separate item, and is distributed to the different consumer classes on an equitable and non-discriminatory basis.	• The Feed-in-Tariff Rate Adjustment Factor (FiTAF) is the amount per kilowatt-hour (kWh) which is applied to the consumer's monthly billing to recover the additional cost of generation, which will be borne by the consumers in the form of a separate item, and is distributed to the different consumer classes on an equitable and non-discriminatory basis.
• The Clean Energy Adjustment Factor (CEAF) is computed on the basis of the Clean Energy Adjustment Rate (CEAR) and the Clean Energy Adjustment Sales Ratio (CEASR) as approved by the Energy Regulatory Commission (ERC).	• The Feed-in-Tariff Rate Adjustment Factor (FiTAF) is computed on the basis of the Feed-in-Tariff Rate Adjustment Rate (FiTAR) and the Feed-in-Tariff Rate Adjustment Sales Ratio (FiTASR) as approved by the Energy Regulatory Commission (ERC).
• The Clean Energy Adjustment Rate (CEAR) is the amount per kilowatt-hour (kWh) which is applied to the consumer's monthly billing to recover the additional cost of generation, which will be borne by the consumers in the form of a separate item, and is distributed to the different consumer classes on an equitable and non-discriminatory basis.	• The Feed-in-Tariff Rate Adjustment Rate (FiTAR) is the amount per kilowatt-hour (kWh) which is applied to the consumer's monthly billing to recover the additional cost of generation, which will be borne by the consumers in the form of a separate item, and is distributed to the different consumer classes on an equitable and non-discriminatory basis.
• The Clean Energy Adjustment Sales Ratio (CEASR) is the ratio of the consumer's monthly kilowatt-hour (kWh) consumption to the total kilowatt-hour (kWh) sales of all consumers.	• The Feed-in-Tariff Rate Adjustment Sales Ratio (FiTASR) is the ratio of the consumer's monthly kilowatt-hour (kWh) consumption to the total kilowatt-hour (kWh) sales of all consumers.
	• After effective transition of the Administration of the Feed-in-Tariff Rate Adjustment Mechanism (FiTAM) to the ERC, the Feed-in-Tariff Rate Adjustment Charge (FiTAC) shall be computed and collected by the Distribution Utility.
	• As such, the mandate of establishing the ERC framework and rule to apply to the Feed-in-Tariff Rate Adjustment Charge (FiTAC) is the same as the mandate of the ERC to apply to the Energy Fuel Charge (EFC) and Fuel Adjustment Charge (FAC) and other

Consulted: Can it be. Make distance from edge

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Consulted: Both ERC, as FiTAC

Consulted: Both ERC, as FiTAC

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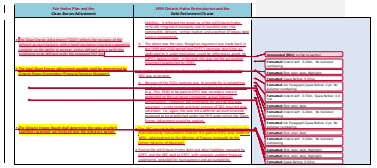
Fair Hydro Plan and the Clean Electricity Settlement
2009 Ontario Hydro Redistribution and the Debt Retirement Charge
Formatted: Font: (Default) Arial, 10 pt, Font color: Auto

Fair Hydro Plan and the Clean Electricity Act (abolishment)	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
[redacted] Added Content	
Between 2005 and 2025, Ontario invested more than $50 billion in its electricity system, including $26 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are being recovered through electricity rates and distribution bills. The Exchange includes covering the costs of electricity infrastructure investments as an ongoing task. Over the next 20 years, Ontario will need significant increases in electricity bills through the Exchange. Of the $50 billion of the combined investments in the Province's electricity [redacted] existing assets are expected to have ongoing public benefits [redacted] well beyond future ratepayers [redacted] the government's plan to [redacted] Ontario's electricity system [redacted] Ontario's electricity system more fully by refinancing a portion of the [redacted] and reinvesting costs in the Hydro One transmission system [redacted] the government's plan to [redacted] spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the extra income earned by the OEB would [redacted] be used to reduce pressure on today's electricity rates [redacted] the OEB would [redacted] be required to reduce the amount it can earn from ratepayers. This recovery is the lower of: (a) adjustment (C3Q), is the amount that will be recovered from consumers in the future to pay principal, interest, transaction costs and administrative costs, associated with th eFair [redacted] and connected with the Fair allocation amount. The ITA uses from the Government's [redacted] fees to shift a portion of [redacted] costs in the future in order to reduce current [redacted] rates or	When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the responsibility for managing the stranded debt and certain other liabilities, totaling $38.3 billion. The $38.3 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.3 billion could be supported by [redacted] and [redacted] Hydro One [redacted] and [redacted] However, OEFC was left with [redacted] [redacted] [redacted]

Fair Hydro Plan and the Clean Electricity Act (column 1)	2009 Ontario Hydro Debt Reduction Act and the Debt Retirement Charge (column 2)
the burden of paying the costs down to the benefits of which will continue to accrue to future generations.	[illegible] [illegible] [illegible]

Fair Hydro Plan and the Clean Electricity Investment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Proposed Fair Hydro Plan	**Proposed Clean Electricity Investment**
[redacted]	[redacted]
Fiscal Impact on the Province	
Under the proposed financing structure, transactions related to OLG refinancing, including IESI payments, are not consolidated to the Province, and generally [redacted] have no net impact on the Province's financial statements. [redacted]	The IESC, paid by electricity rate payers, is a revenue to the OEFC and to then the Province upon consolidation. The IESC increases revenues [redacted] and helps offset debt service costs [redacted] and the Province as consolidation. [redacted]
[redacted]	Debt: Stranded debt is included in the measurement of [redacted] net debt.

Fair Hydro Plan and the Clean Electricity Adjustment	2009 Ontario Hydro Bondholders and the Debt Retirement Charge
~~Ontario Hydro Bondholders, the Debt Retirement Charge (DRC) payment and ADR, and the Fair Hydro Plan~~	
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined. **The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Financial Services Manager shall do so at a time at which specified carbonate are tracked over the reference period.**	The Debt Retirement Charge is presently set has been paid by many electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment Until Date	
The reference period as stated in the proposed Fair Hydro Act will end on April 30, 2018, April 30, 2043 or a later date as may be prescribed in regulations. **Correspondingly the Clean Energy Adjustment would also end on April 30, 2043 or a later date.**	It was ~~originally~~ scheduled to end ~~April 30, 2018~~ the DRC payment and ADR ~~Fair Hydro Plan~~ was expected to end by ~~April~~ 2026 once the ~~Hydro~~ recorded debt is retired. The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro One and the province, as well as on ~~a number~~ other factors such as interest rates and electricity consumption. As included in the 2010 Budget, the government has removed the DRC cost from residential electricity users. Electricity bills as of January 1, 2010. The government introduced legislation, executive December 15, 2010, that will ~~also~~ remove the DRC from ~~commercial~~ bills as of April 1, the DRC of April 1, 2012, for commercial, industrial and all other users
Payment Ownership Risk	

Comment from Jason

Fair Hydro Plan and the Clean Electricity Act (collectively)	2009 Ontario Hydro Restructuring and the Debt Retirement Charge
[redacted]	[redacted]

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
MAY 24, 2017

"The accounting transaction's structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity rate from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an anticipated revenue stream that it will receive from future ratepayers between 2022 and 2057 that is not yet an income, receivable because the consumer has not yet used that electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, write-fraud already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and therefore not have the net impact of the stranded debt, write-fraud already been incurred, to be reflected on the Province's financial statements. The Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [asset] "would have set an unacceptable precedent for governmental accounting. It would also have represented a departure from one of the fundamental principles of accounting for assets and liabilities." Ultimately, the Province did not proceed with the proposed accounting change as there is income, and was prudent in making the decision to not create an asset for future anticipated ratepayer' payments. I believe these concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting treatment were not finalized. In this year's audit, we found that the Ministry of Finance had not sufficiently supported the magnitude of the deferred charge to be set down. According to our discussions with the Ministry of Finance, Board of Directors of Hydro One, Board of Directors of Ontario Power Generation, and Canadian and U.S. accounting standards, discussions with industry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

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Corporate and Electricity Finance Division
May 24, 2017

From:	John Kim
To:	Ronald Kwan
Cc:	Gavin He; Bruno Amara
Subject:	RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date:	Friday, May 26, 2017 5:44:52 PM
Attachments:	Clean energy adjustments vs Debt Retirement Charge_May25 vClean_Markup2Clean_Markup.docx

Added your highlighted edits to the last version we sent back with formatting.

From: Ronald Kwan
Sent: Friday, May 26, 2017 5:38 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
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Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - May 18, 2017

I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.

Gadi

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)

Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT VS THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge (DRC) that was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) [redacted] debt?

COMPARISON

Fair Hydro Plan and the Fixed Electric Attachment	2005 Ontario Hydro Restructuring and the Debt Retirement Charge
Key Points	
• Proposed Fair Hydro Plan ("FHP"), being enabled last in the context of an already fully regulated or contracted market.	• The 2005 electricity sector restructuring was undertaken to introduce competition in the OEFC's generation business so as to create a competitive structure, including providing for private sector involvement and a market price for the electricity commodity.
• The Global Adjustment ("GA", a portion of the commodity cost of electricity) deferral portion of the FHP is, being established under legislation and a regulatory framework, underpinning the [redacted] amount to be recovered from ratepayers to account for the deferred portion of GA costs, and the associated financing costs.	• The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory structure [redacted] variance or a particular amount to be recovered under the DRC. The DRC was authorized under the Electricity Act, 1998, until the "residual debt amount" ("RDA") was retired, as determined by the Minister of Finance.
• The CEA deferral is to more fully allocate the cost recovery from ratepayers of the cost of contract investments in generation assets and conservation that are expected to last longer than typically 20 year contract terms.	• The DRC reflects a portion of the disaggregation of the old "bundled cost" of the old Ontario Hydro that included a not recovery return on investment, taxes, interest and provision for the OEFC's and funding debt costs.
	○ As such, the intention of establishing the DRC framework was not to shift in time, or across different customers or customer classes, the cost recovery of the old Ontario Hydro debt and other

Fair Hydro Plan and the Giant Energy Adjustment	2005 Ontario Hydro Restructuring and the Debt Retirement Charge
	liabilities. It reflected the break-up of the vertically-integrated monopoly and its bundled rates into separate charges for the former market, and a portion of legacy debt came to consumers.
The Giant Energy Adjustment ("GEA") reflects the recovery of the deferred carried balance, with a legal/regulatory structure supporting stability on the ability to recover, and as defined terms in particular timeframes to be delivered under the proposed FHP Act.	The stated rate the case, though an argument was made back to 2005 that the DRC should be "sunset" at a point in time, or dedicated to a certain legislature, could be relied on as much as 100% to become a fact. In the end, this was not the case. The investment was published for 2005.
Under legal criteria Giant, GEA payments payable credit are determined by the Fair Hydro Plan and the Financial Services Regulator.	As noted above, by design, there was no defined amount that the DRC was to collect.
The standard may be illegal shall determine the value of which cash flow payments, and interest rates that determine amounts.	The focus of the FCO's purpose was to provide for a competitive market, the actual annual amounts of other dedicated revenues (e.g., PILs, RSC) to be paid to OEFC was uncertain since it is dependent on the market price of electricity and generator performance. Therefore, the timeframe for retiring RSC was uncertain – not the length and total amount of DRC required was uncertain. I.e., again, this was not a deferral account since the amount was not known at the time of DRC assets which the Giant Energy Adjustment would be applied.
	Also, OEFC was not the only organization to or assets was originally given to OEFC, but also to the Ontario Power Generation Inc. ("OPG"). OPG was also responsible for the balance of Ontario's nuclear assets, OEFC's debt retirement charge was not applicable to OPG.
	Paying the old Ontario Hydro debt and other liabilities managed by OEFC, and the DRC paid to OEFC, with separate, audited finance (all trademarks, provided for more purpose) and are avoided by.
Detailed Content	

Announced (Mid) and fully enacted

Announced (Late) but not in effect

Formulated Interim with Certain, No Guidance Confirmed

Formulated Interim with Certain, No Guidance Confirmed

Fair Hydro Plan and the Fixed Carbon Allowance	1998 Ontario Hydro Restructuring and the Debt Retirement Charge
Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $20 billion in electricity generation to replace coal-fired generation. Most of the costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity conservation and renewable energy programs. The size and timing of these investments led to significant increases in electricity bills through the GA charge. While the majority of the contracted generation is for a 20-year term, the generating assets are expected to have ongoing useful life beyond the contract term. The cost of these assets, as proposed under the Fair Hydro Plan would relieve some of the current GA cost burden on today's ratepayers, and in turn some more likely, by refinancing a portion of the GA costs over the expected lifecycle of the infrastructure. The would provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be shifted to the proposed Fixed Carbon Allowance (FCA). Under the FCA scheme, the cost of self-sourcing would be recovered from ratepayers. The recovery is the clean energy adjustment (CEA). It is the amount that will be collected from ratepayers to cover the cost of the FCA, including transaction costs and administrative costs, accrued with the fair adjustment and consistent with the fair allocation amount. The GA value, from the Government's policy on either a portion of GA costs in the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue on future generations.	The IESO's mandate dates since in 1998 as a result of the restructuring of the electricity system under the Energy Competition Act, 1998. - "Stranded debt" standing, as a result of the restructuring of the sector, including the break-up of the former Ontario Hydro and creating a 'tax payments in lieu of taxes' level playing field for the new generation and transmission companies; and - The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.3 billion. The $38.3 billion in debt and other liabilities was considered a barrier to the province's electricity generation and transmission infrastructure. A portion of the $38.3 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies. In particular OPG, Hydro One and IESO, however, OEFC was left with $19.4 billion in unfunded debt. Conceptually, stranding was perceived by two factors: - "Commercial" stranding, as level playing field "fix," were put in place to ensure that the new companies, in particular OPG, had no super-debt, and as the commercial successor companies would have a higher cost of capital (a higher, commercial ROE for equity (ROE) – regulated for Hydro One, competitive for OPG); - "Competitive" stranding, where the projected future commodity prices of electricity was anticipated to be lower than the cost of existing and committed generation. Competitive stranding was in two virtually exclusive forms, one created with respect to

Fall-Ogilvie Plan and the Asset Owners' Allocations	2005 Ontario-Fujitsu Restructuring and the Debt Retirement Charge
The "debt" that the OEA will not be, is not yet electing but article, out of the policy chose on the OEA a portion of it contract cost necessary, those customers who consume more than 1,000 kWh a month in order to invest fairly in New electricity infrastructure investment costs.	the legacy peace- purchase agreements (PPAs) with non-utility generators. [NUGs]. To allow OEFC to service and re-OEA 1 billion in total debt, including the OEA of billion in stranded debt, the Province would hold a long-term debt instrument issued by OEFC, which would be serviced through debt-related revenues from electricity market components. • This included dedicating the amounts, to OEFC, related to the Provincial Electricity Act, 1998, Regulation 53/05, Section 6.1 (the Debt Service Dedicated Income" in respect of the net income [i.e., RIDE] in excess of the Province's financing cost for the equity. • The Province's decision to "freeze" the debt retirement charge [DRC] at a set pressure set all its prices, simply replacing a portion of debt costs e-rack that had been embedded in the old regulated rate with a new debt structure bytes. The higher RDC was also effective one-cut bet loss. • As of April 1, 1999, the present value of these revenues streams was estimated at $20.7 billion, with OEFC bearing an estimated $7.5 billion of "residual stranded debt". The Debt Retirement Charge (DRC) on electricity bills was established under the Electricity Act, 1998, to be paid to the OEFC to retire the residual stranded debt. • The DRC was added to "competitive" chancilling, which created price levels due from the lower-projected commodity price. the DRC was not considered to be creating price pressure, but was creation bands of aggregation of stranded debt. The DRC levels were embedded in the old regulated rate. of Ontario Hydro.
Fiscal Imacts to the Province	

Fair Hydro Plan and the Smart Grid for Ontario	2005 Ontario Hydro Restructuring and the Debt Retirement Charge
Under the proposed financing structure, features now related to OCA refinancing, including OCA payments, are not consolidated to the Province's financial statements and have no impact on the Province's financial statements, annually or over time.	The OMC, and by electricity rate payers, is a revenue to the IESO, which have the Province spare care-ablation. The OMC to measure revenues, and helps offset debt service costs of IESO (and the Province, on consolidation). Over time, where OCA has an excess of revenues (including OMC) over expenses, this decreases OEFC's unfunded liability (sometimes called "Stranded debt"). Note: Stranded debt is included in the measurement of the Province's net debt.
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined. The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Ontario Energy Board shall determine the rates at which prescribed customers are invoiced over the reference period.	The Debt Retirement Charge is per-unity, and has been paid by non-electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment Cash Date	
The reference period as stated in the proposed Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed on regulation. During pendingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Finally, under the Electricity Act, 1998, the OMC payment period has been ended with the intention to end the OMC once the residual stranded debt is retired. The estimated retirement of residual stranded debt was subject to change based on variables such as the market price for electricity set by IESO, which is dependent on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates, and electricity consumption.

Fair Hydro Plan and the Grant Device Settlement	2009 Ontario Hydro Restructuring and the Debt Retirement Charge
	As included in the 2010 Budget, the government has removed the DRC from electricity bills effective January 1, 2018 (the "DRC Date"). The government introduced legislation, passed on December 13, 2017, the Budget Measures Act, 2017, to legislate a fixed end date for the DRC of April 1, 2018, for commercial, industrial and all other rate

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
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A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the unrecorded debt, while it had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and thereby avoid recording the debt's impact on the Province's bottom line. Fortunately, this proposal was not approved and the debt was fully reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [asset] "would have set an unacceptable precedent for governmental accounting. It would also have represented a departure from one of the fundamental principles of accounting, namely that assets should not be recorded unless they are likely to provide future economic benefits that can be measured, there is income, and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe these concerns are equally applicable today."

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The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an evolving liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

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May 26, 2017

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From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today’s meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt

(ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

RAB 4 FOR DOLPHIN'S CLEAN ENERGY ADJUSTMENT VS THE ERC'S EMERGENCY CHARGE

ISSUE

What are the salient differences between the proposed Clean Energy Adjustment (CEA) under the Ten Years Plan (TYP) and the Feed-in Tariff Allowance (FIT-All) which are to be implemented to fully recover and refund the Dynamic Electricity Payment Corporation's (DEPC) [illegible] [illegible]

COMPARISON

Ten Years Plan and the Clean Energy Adjustment	2020 Emergency Rate Increase and the Rate Reinstatement Charge
Key Points	
• Proposed Ten Years Plan ("TYP") is clearly explained in the company's website, documents, and social media.	• The 2020 rate hike charge was imposed due to the alleged unrecovered fuel cost of the Malampaya Gas-to-Power Project. The Malampaya Project is the only source of natural gas for the country's power plants. The unrecovered cost could arise for the following reasons:
• The Clean Energy Act of 20[illegible] provides for the cost recovery of renewable energy (RE) projects through the Feed-in Tariff Allowance (FIT-All) charge. The TYP proposes a Clean Energy Adjustment (CEA) charge to recover the cost of RE projects that are not yet operational and will be commissioned during the TYP period.	• The Rate Reinstatement Charge ("RRC") was provided to collect the unrecovered fuel cost of [illegible] [illegible] [illegible]

Fair Hydro Plan and the Clean Electricity Enablement	2009 Ontario Hydro Redistructure and the Debt Retirement Charge
[illegible]	[illegible]

Fair Hydro Plan and the Clean Electricity Act (abolishment)	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Deleted: Ontario	
Between 2005 and 2025, Ontario invested more than $50 billion in its electricity system, including $25 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are being recovered through electricity rates and distribution bills. The Ex-change includes covering the costs of electricity infrastructure investments as an ongoing task.	Over $20 invested and ongoing in [1]Ontario's electricity system, including $10 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are being recovered through electricity rates and distribution bills. The Ex-change includes covering the costs of [2]new and existing electricity infrastructure investments as an ongoing task.
Deleted: Ontario	
Deleted: Ontario	
Deleted: Ontario

Fair Hydro Plan and the Clean Electricity Act (enactment)	2009 Ontario Hydro Debt reduction and the Debt Retirement Charge
the burden of paying the costs towards the benefits of which will continue to accrue to future generations. The "debt" that the CEA will retire, is not pre-existing bad action, but all the policy choices in the LTEP, [redacted] and [redacted] decisions made, [redacted] and [redacted] by the Federal Government to create fairly clean electricity, without excessive [redacted] costs.	[redacted] and other policy decisions made by the Ontario government and the Ontario Energy Board, [redacted] and [redacted] by the Federal Government to create fairly clean electricity, without excessive [redacted] costs. Trudeau-2015C to service and retire $38.1 billion in total debt, including $20.9 billion in stranded debt and $17.2 billion in other debt. Ontario Hydro's past reform debt-servicing and repayment would be the magnitude of debt borrowed, from other electricity market companies. • [redacted] [redacted] [redacted]

Fair Hydro Plan and the Clean Electricity Initiative	2009 Ontario Hydro Dismemberment and the Debt Retirement Charge
[redacted]	[redacted]
Fiscal Impact to the Province	
Under the proposed financing structure, transactions, related to it refinancing, including DA payments, are not consolidated to the Province's statement of [redacted] and have no impact on the Province's financial statements or [redacted]	The OEC, and by electricity rate payers, is a revenue to the OSFC and to the Province upon consolidation. The OEC to measure economic [redacted]

Note: Stranded debt is included in the measurement of the Province's net debt.

Fair Hydro Plan and the Clean Electricity Act (common)	2009 Ontario Hydro Redistructure and the Debt Retirement Charge
Source of Authority: Pursuant to the Clean Electricity Act of [insert year]	
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined. The total Clean Energy Adjustment payable shall be determined by the Minister of Finance and the Minister of Energy and the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment Certificate	
The reference period as stated in the proposed Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed in regulation. Correspondingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Initially, under the legislation in 2004, the DRC payment period will now extend with the intention to end by 2037, once the retained bonded debt is retired. The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future IESO results and dedicated revenues. The DRC is paid by most electricity consumers in Ontario, including Hydro One, and municipal electric utilities, as well as other forms such as interest rates, and electricity consumption. As included in the 2010 Budget, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2011. Under the Fair Hydro Plan Act, 2010 (no legislative schedule as of 2010), the Budget Measures Act, 2010 (no legislative schedule as of 2010), the Budget Measures Act, 2010 no legislative schedule and later for the DRC of April 1, 2018, for commercial, industrial and all other users.
Approximate Amounts Per	

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Fair Hydro Plan and the Clean Borrow Bill (collectively)	2009 Ontario Hydro Redescription and the Debt Retirement Charge
[redacted]	[redacted]

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
MAY 24, 2017

"The accounting transaction's structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity rate from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an amount it expects to collect in the future from future ratepayers between 2022 and 2037 that is not yet an income, receivable because the consumer has not yet used that electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, write-fraud already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and thereby offset the impact of the stranded debt. Fortunately, the Province's auditor at the time, Erik Peters, refused to allow the stranded debt to be reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the fundamental principles of financial reporting, namely that liabilities should be recorded when they are incurred, not when the revenues to offset them become, and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe these concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting treatment were not finalized. In this year's audit, we have been informed by the Ministry of Finance that the government no longer plans to proceed with the deferred charge and now intends to record the stranded debt as a liability on the Province's Balance Sheet. Based on our review of relevant accounting, private-sector review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an evolving liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not fractured until late October. The final financial statements included the net assets/ liabilities and operating results, of the four electricity entities owned by the province, and accountabled that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 24, 2017

From:	John Kim
To:	Ronald Kwan
Cc:	Gavin He; Bruno Amara
Subject:	RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date:	Friday, May 26, 2017 5:36:09 PM
Attachments:	Clean energy adjustments vs Debt Retirement Charge_May25 vClean_Markup2.docx Clean energy adjustments vs Debt Retirement Charge_May25 vClean_Markup2Clean.docx

Hi Ron,

Looks fine to us.

We just cleaned up the formatting as some fonts were invisible, etc.

The only comment I had was in regards to the following bullet. It's the part about "competitive for OPG" at the very end, didn't fully understand.

Thanks.

- "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – regulated for Hydro One, competitive for OPG}.

From: Ronald Kwan
Sent: Friday, May 26, 2017 5:08 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi John,

How about this? I'd like to circulate a draft today. Could you review ASAP.

Thanks,
Ron

From: John Kim
Sent: May-25-17 17:02
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi Ron,

Pls. see attached. Your feedback would be welcome as we have gone through several iterations over the past few days.

Thanks,

John

From: Ronald Kwan
Sent: Friday, May 19, 2017 7:37 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

Cindy said that next week would be fine.

Thanks,
Ron

On May 19, 2017, at 6:29 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Sure, will do. Any comments on the note last night would be welcome but will engage team members today and next week.
>
> John
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** May-19-17 1:22 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - May 18, 2017
>
> Hi John,
>
> Note the point on "OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge."
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** May-18-17 8:16 PM
> **To:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>

Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - May 18, 2017

I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.

Gadi

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
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Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

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Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

NGR MYDIN PLANT'S CLEAN ENERGY ADJUSTMENT VS THE ERC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the San Hydro Plan (PHP) and the Debt Retirement Charge which was implemented to help service and retire the Dynamic Electricity Power Corporation's (DEPC) residual stranded debt?

COMPARISON

Clean Energy Adjustment (CEA)	**Debt Retirement Charge (DRC)**
Imposed by the Energy Regulatory Commission (ERC)	Imposed by the Energy Regulatory Commission (ERC)
Beneficiary	Beneficiary
Proposed San Hydro Plan ("PHP") to help amortization of the capital and debt costs incurred in constructing the project	The DRC shall be for the sole purpose of recovering, on a monthly basis, the total amount of the principal and interest costs, and other financing costs pertaining thereto, that shall have been incurred by the Government under the Agreement Between the Government of the Republic of the Philippines and the Dynamic Electricity Power Corporation (DEPC) and the Government Guarantee Agreement dated [●] (the "Agreement")
The Initial Adjustment ("IA") of a portion of the generation cost recovery mechanism of the Energy Regulatory Commission (ERC) under its Feed-in Tariff (FIT) rules and regulations for the reimbursement of a regulatory asset, which is defined as any for the previous portion of Capital and the associated financing costs	The Initial Adjustment Charge ("IAC") was provided for under Commission Decision, dated [●], which is attached to the Order, and which was an amount based on current financing and operating costs and projected capital expenditures for the Distribution Utility's (DU) Distribution System, Supply Business, and Stranded Contract Costs (SCC) for the first year of implementation
Only the Initial Adjustment ("IA") is proposed to be collected from consumers, while the remaining portion of the Capital and the associated financing costs shall be collected from the consumers through the Regulatory Asset Recovery Mechanism ("RARM")	Only the collection mechanism for the implementation of the Initial Adjustment Charge was provided for under the Commission Decision, while the remaining portion of the Capital and the associated financing costs shall be collected from the consumers through the Regulatory Asset Recovery Mechanism ("RARM")
Only the collection mechanism for the implementation of the Initial Adjustment Charge was provided for under the Commission Decision, while the remaining portion of the Capital and the associated financing costs shall be collected from the consumers through the Regulatory Asset Recovery Mechanism ("RARM")	
	In turn, the collection of and refunding the DRC Recoverable was also provided for under the Commission Decision, which is attached to the Order, and which was an amount based on current financing and operating costs and projected capital expenditures for the Distribution Utility's (DU) Distribution System, Supply Business, and Stranded Contract Costs (SCC) for the first year of implementation

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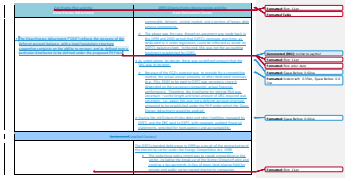

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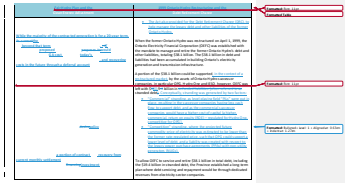

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APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
MAY 24, 2017

"The accounting transaction's structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 20% in electricity rate from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an amount it expects to collect in the future from future ratepayers between 2022 and 2037 that is not yet an income, receivable because the consumer has not yet used that electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, while it had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and thereby avoid recording the full impact of the stranded debt. Fortunately, the Province's auditor at the time, Erik Peters, refused to allow the asset to be reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [asset] "would have set an unacceptable precedent for governmental accounting. It would also have represented a departure from one of the fundamental principles of accounting, namely that assets should not be recorded unless they are likely to provide future economic benefits, and there is income, and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe these concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on GAFO's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting treatment were not known. In this year's audit, we have obtained the necessary information and have concluded that the proposed accounting treatment is not in accordance with generally accepted accounting principles (GAAP). Based on our review of relevant accounting pronouncements of the Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of GAFO's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not factored until late October. The final financial statements included the net assets/liabilities and operating results, of the four electricity entities, owned by the province, and accountabled that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May xx, 2017

FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT VS THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge which was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) residual stranded debt?

COMPARISON

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Key Points	
• Proposed Fair Hydro Plan ("FHP") is being enacted in the context of an almost fully regulated or contracted market. • The Global Adjustment ("GA", a portion of the commodity cost of electricity) is currently paid to all generators (regulated under legislation and a regulatory framework, underpinning the rationale/intent of a regulatory asset), with a deferral account for the deferred portion of GA costs and the associated financing costs. • This GA deferral is to move fairly allocate the cost recovery from ratepayers of the cost of certain investments in generation assets and consumption that are expected to last longer than typically 20 year contract terms.	• The 1999 stranded debt was created by the Energy Competition Act, 1998, ("ECA") to mean Ontario's electricity sector to transition from a fully regulated to a competitive and open involvement and to market price for the electricity commodity. • The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory time-here, and there was no defined deferral account balance or a particular amount to be recovered through the DRC. The DRC was established under the Electricity Act, 1998, until the "residual stranded debt" ("RSD") was retired, as determined by the Minister of Finance. • The DRC reflects a portion of the disaggregation of the old "bundled" Ontario Hydro rates to recover the RSD from all electricity users, including generators, transmission and contract market services, and including distributors. o As such, the intention of establishing the DRC framework was, not to recover the cost of any specific generation assets, but rather to recover the cost recovery of the old Ontario Hydro debt and other liabilities. It reflected the break-up of the old (once-)vertically integrated monopoly, with its bundled rates into

Fall Fiphe Plan and the Giant Energy Adjustment	2005 Ontario Fiphe Restructuring and the Debt Retirement Charge
The Giant Energy Adjustment ("GEA") reflects the recovery of the deferral account balance, with a legal/regulatory structure supporting stability on the ability to recover, and as defined was a predictable timeframe to be delivered under the proposed FRP Plan.	commodity, delivery, contract market, and a portion of legacy debt were to remain. • The reason for this was, though an argument was made back to the 1999 and 2002 up and that EARCL revenues were from, or deals exist to it under legislation, could be reflected as assets on the balance sheet. At the time of EARCL this was not the accounting treatment established for EARCL. • It, could alone, by design, these was, no defined amount that the DRC was to recover. • Because of the EGEA proposal was to provide for a competitive market, the actual annual amounts of after dedicated revenue would be subject to the market. Therefore, the amount to be recorded on the consumers companies' actual financial performance. Therefore, the timeframe for retiring DEA was uncertain. I.e., again, this was not a deferral account structure proposed to be established under the FRP under which the Giant Energy Adjustment would be applied. • Consumers Ontario Electricity Financial Liabilities managed by OEFC, and the DRC paid to EARCL with corporate, audited financial statements, prescribed for transparency and accountability.
Detailed Content	
Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $30 billion in electricity generation, to ensure the system is clean and reliable. The costs of these investments are recovered from electricity customers through their electricity bills. The GEA charge includes a clearing the costs of electricity infrastructure investments on an ongoing basis.	The EOFC is mandate debt areas in 1999 by a result of the income taking of the electricity as are under the Energy Competition Act, 1998: • The underlying policy intent was to create competition in the electricity sector. The EOFC was created for the purpose of creating a level playing field for private and public sector-owned electricity companies.

Commented [MK1]: NOTE TO SELF!!!!

Fair Hydro Plan and the Asset Owner allocation	2005 Ontario Hydro Restructuring and the Debt Retirement Charge
The cost and timing of their investments had no significant increase in electricity bills through the ELG charge. While the majority of the nominal bill generation is for a 20-year term, the generating assets are expected to have ongoing and full life beyond the initial 20-year term. Under the Fair Hydro Plan, customers under the Fair Hydro Plan would retrieve some of the current ELG not funded on a today's ratepayers, and share costs more fairly, by refinancing a portion of the ELG debt over the expected lifecycle of the infrastructure built. We would provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the ELG would be refinanced over the expected lifecycle of the assets. Over the life of the assets, the net cost of refinancing would be recovered from ratepayers. The necessary is the clean energy adjustment (CEA). It is the amount that will be added to the global adjustment (GA) to cover the cost of the new transmission lines and underinvestment costs, associated with the fair adjustment and consistent with the fair allocation amount. The CEA arises from the Government's policy to shift a portion of ELG costs to the future in order to relieve current ratepayers of some of the ELG costs. Ratepayers, however, receive the benefits of which will continue to accrue to future generations. The "debt" that the CEA will retire, is not pre-existing bad actual, out of the policy choice to shift a portion of contract cost recovery from current monthly settlements to the future in order to more fairly share electricity infrastructure investment costs.	• The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Province of Ontario (the Province) established a number of companies with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.2 billion. The $38.2 billion in debt and other liabilities was largely associated with the province's electricity generation and transmission infrastructure. A portion of the $38.2 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies. In particular OPG, Hydro One and IESO, however, OEFC was established to manage the stranded debt. Conceptually, stranding was generated by two factors: • "Commercial" stranding, as least playing field "Hey" were put in place, with the former regulated entity, such as Hydro One Inc. to support debt, and as the commercial successor companies would have a higher rate of capital (a higher, shareholder equity (BOE) – regulated the Hydro One competition for OEFC). • "Competitive" stranding, where the projected future competitive market prices were lower than the revenues from the former rate-regulated price, such that OEFC could support a lower level of debt, and a liability was created with respect to the power purchase arrangements (PPAs), with new Lobby generation. [End] [...] To allow OEFC to service and retire $38.2 billion in total debt, including the $28.6 billion in stranded debt, the Province needed had a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity market companies.

Fair Hydro Plan and the Grant Excess Settlement	2015 Ontario Hydro Restructuring and the Debt Retirement Charge
	• This included dedicating the amounts to OEFC related to the "commercial" stranding. The ex-OEFC and the "Electricity Debt" were combined in the Province's financial statements. The RCECI in excess of the Province's financing cost for the equity. • As this were dedicated to OEFC, they were not consolidated to the Province's financial statements. Rather, they were reported as debt-service costs in a rate that had been embedded in the old regulated prices of Ontario Hydro. The higher ROE was also reflected in the old rates. • As of April 1, 1999, the present value of these revenue streams was estimated at $21.3 billion, leaving an estimated $ 7.9 billion of "residual stranded debt". The Debt Retirement Charge (DRC) on electricity bills was explicitly designed to collect the $ 7.9BB, to be paid to the OEFC to retire the residual stranded debt. • As this was related to "competitive" stranding, which required the Province to reduce the prices of Ontario Hydro, the DRC was not consolidated to be treating price pressure, but was in effect just a disaggregation of a portion of the debt-service costs embedded in the old regulated rates of Ontario Hydro.
Fiscal Impact on the Province	
Under the proposed financing structure, transactions, related to CA refinancing, including CA payments, are not consolidated to the Province, and generally would have no net impact on the Province's financial statements, annually or over time.	The DRC, paid by electricity rate payers, is a revenue to the OEFC and in turn the Province upon consolidation. The DRC increases, revenues, and helps offset debt service costs of OEFC and the Province, on consolidation).

Fall Update Plan and the Clean Energy Adjustment	2005 Ontario Hydro Restructuring and the Debt Retirement Charge
	Over time, reform OEFC has an excess of revenues (including OMC) over expense, the decrease OEFC's unfunded liability (sometimes called "Stranded Debt"). Note: Stranded debt is included in the measurement of the Province's net debt.
Payments Amounts	
The Clean Energy Adjustment payment amount is not yet determined. The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	The Debt Retirement Charge is a specialty and fee, been paid by most electricity consumers, at a rate of 0.7 cents per kilowatt hour.
Payments Fall Ends	
The reference period as stated in the proposed Fall Public Act will start on January April 30, 2040 or if Later date as may be prescribed in regulation. Survey pending by the Clean Energy Adjustment would also end on April 30, 2027 or a later date.	Finally, under the Electricity Act, 1998, the OEC payment period has been extended under the intention to end the OMC until the residual stranded debt is retired. The estimated retirement of residual stranded debt was subject to change, but was forecast to be April 30, 2018. Ratepayers contribute to OEFC, which is dependent on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2010 Budget, the government has removed the OMC from electricity bills effective January 1, 2011 and ending April 30, 2018. The government intends to bring legislation, passed on December 15, 2010, the Budget Measures Act, 2010 to legislate a fixed end date for the OMC of April 1, 2018, for commercial, industrial and all other users

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
MAY 24, 2017

"The accounting transaction is structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 20% in electricity rate from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an amount it expects to collect in the future from future ratepayers between 2022 and 2037 that is not yet an income, receivable because the consumer has not yet used that electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, write-fossil already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and thereby offset the liability. The Province's auditor at the time, the Auditor General, did not support the proposed accounting and required that it be reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [asset] "would have set an unacceptable precedent for governmental accounting. It would also have represented a departure from one of the fundamental principles of accounting for assets and liabilities, namely that assets should be those items that provide future economic benefits to the entity that owns them or controls, and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe these concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting treatment were not finalized. In this year's audit, we found that the Ministry of Finance had not formally approved the magnitude of the deferred charge but was then finalizing it. Based on our review of the proposed accounting treatment, discussions with the Ministry of Finance, Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize a revenue liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was well featured until late October. The final financial statements included the net assets/liabilities and operating results, of the four electricity entities owned by the province, and accountabled that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 26, 2017

From:	Ronald Kwan
To:	John Kim
Cc:	Gavin He; Bruno Amara
Subject:	RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date:	Friday, May 26, 2017 5:08:22 PM
Attachments:	Clean energy adjustments vs Debt Retirement Charge_May25 vClean_Markup.docx

Hi John,

How about this? I'd like to circulate a draft today. Could you review ASAP.

Thanks,
Ron

From: John Kim
Sent: May-25-17 17:02
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi Ron,

Pls. see attached. Your feedback would be welcome as we have gone through several iterations over the past few days.

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Subject: Re: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

Cindy said that next week would be fine.

Thanks,
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On May 19, 2017, at 6:29 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Sure, will do. Any comments on the note last night would be welcome but will engage team members today and next week.

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Sent: May-18-17 8:16 PM
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Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - May 18, 2017

I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.

Gadi

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Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
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Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM

To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

SAN MIGUEL POWER CORPORATION'S CLEAN ENERGY ADJUSTMENT VS THE CSPC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the San Miguel Power Corporation's (SMPC) Horizon Plan (HP) and the Debt Retirement Charge which was implemented to fully service and retire the Sorsogon Electricity Purchase and Cooperation's (SEPC) residual stranded debt?

COMPARISON

San Miguel Power Corporation's Clean Energy Adjustment	2009 Sorsogon Province Re-Franchising and Debt Retirement Charge
Description	
• Proposed Fuel and Power Rate ("PRAP") is being established in the context of the Horizon Plan, discussed in Comment No. 1 above.	• The 2009 charge is the current fee being levied under the Law by Sorsogon Province to pay for the stranded debt of the SEPC. It is the only charge that is being collected by the Province from its customers.
• The Horizon Plan consists of a "mix" of projects of the Corporation's power generation business, which includes the construction, development and operation of new power plants, the rehabilitation of existing power plants, and the procurement of power from other power plants, for the purpose of ensuring a reliable, stable and competitive supply of power to the customers of SMPC and other electric power industry participants.	• Under RA 9136 (Electric Power Industry Reform Act of 2001 or "EPIRA"), the Law mandated that SEPC must be privatized before the end of 2006. However, SEPC was not privatized because of its debt and other liabilities. Thus, RA 9136 provided that SEPC will continue to operate as determined by the Secretary of Finance.
• The Horizon Plan is the most likely alternative to be implemented by the Corporation in the Philippine power industry. It will enable the Corporation to offer competitive rates to its customers.	• In 2009, SEPC's franchise as the distribution utility of Sorsogon Province expired. Sorsogon Province then decided to re-franchise SEPC's distribution utility to a new company, Sorsogon Electric Company, Inc. (SORECO).
	• As such, the retention of applications for ERC Framework was not necessary because the Commission has already approved the recovery of the 2009 Debt Retirement Charge and other charges. It should not have set an arbitrary deadline for filing since every customer will be benefitted once the

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Fair Hydro Plan and the Clean Electricity Investment	2009 Ontario Hydro Redistribution and the Debt Retirement Charge
The Clean Electricity Investment ("CEI") reflects the economics of the Ontario electricity system, and is what electricity prices in Ontario would be after the Global Adjustment is phased out and replaced with the Clean Electricity Investment.	... ownership, decision making, and governance of Ontario's three electricity corporations. The 2009 Act did not set out detailed arrangements or a path forward for the Debt Retirement Charge ("DRC"), instead requiring the Minister of Energy to establish a regulation setting out the DRC rates and other details. Before this was done, the rate for the DRC was set at zero. In 2015, however, the Ontario Liberal government modified the DRC and its collection. Because of the DRC's unique nature, its periodic fixing is sometimes the most political moment of any electricity customer's year, when the DRC is the main (and often only) thing that appears on the electricity bill. Ontario's Auditor General has criticized the "flexibility" that Ontario has had in the past to change the DRC rate, and the DRC has been set at zero for many years. The DRC is currently scheduled to be eliminated under the Fair Hydro Plan on the same day, July 2021, that it would be phased in. Before the 2015 changes to the DRC and other legislative changes to reduce electricity bills, Ontario's electricity system was considered to be [illegible] and unaffordable.
Environmental Benefits	**Environmental Benefits**
Between 2005 and 2020, Ontario invested more than $50 billion in the electricity system, including $16 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity bills. Over the next decade, the ongoing needs of Ontario's electricity system investments are also being met.	Ontario recorded zero smog days in 2020 as a result of the province's move away from coal-fired electricity generation. The Ontario Government also has: the leading solar power plant in Canada; Ontario's electricity grid is one of the cleanest and greenest in North America, with [illegible] of its electricity coming from emissions-free sources such as nuclear, hydro, wind and solar; and Ontario's electricity system is among the cleanest and greenest in North America, with [illegible] of its electricity coming from emissions-free sources such as nuclear, hydro, wind and solar.

Comment [RC1]: NOW ELIMINATED

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Fair Hydro Plan and the Clean Electricity Act (volumes)	2009 Ontario Hydro Restructuring and the Debt Retirement Charge
The cost and timing of new investments will be significant increases in electricity bills through the GAs hedge.	1. The Ontario Legislature by the Hon. Dwight Duncan, Minister of Finance, tabled the basic 2004 and other portions of the Income Tax Act.
Analysis reveals all the various bill impacts here in the GA rates. Bills would be [illegible] spreading assets are expected to have ongoing useful life [illegible] Fair Hydro Plan [illegible] Clean Electricity Act [illegible] Fair Hydro Plan [illegible] Clean Electricity Act [illegible] Fair Hydro Plan [illegible] Clean Electricity Act

Fair Hydro Plan and the Clean Electricity Act (extract)	2009 Ontario Hydro Redistructure and the Debt Retirement Charge
	6 The remaining $19 billion (by January 1, 2012) relates to the unamortized, unfunded "pre-1974" and "1974-1999" regulatory assets of the former Ontario Hydro. These assets are recovered from Ontario ratepayers through the Debt Retirement Charge (DRC) on electricity bills. 7 As of April 1, 2009, the principal value of Ontario Hydro's pre-1974 and 1974-1999 regulatory assets was estimated at $12.3 billion, leaving an estimated $7.0 billion of "residual stranded debt". The Debt Retirement Charge (DRC) on electricity bills was initially set at a rate of 0.7 cents per kWh on July 1, 1998, to be paid to the IESO to retire the residual stranded debt. 8 We are referring to "unamortized" stranded debt rather than "residual" stranded debt because the former is a more accurate description of the debt amount. The latter is a misnomer, as the principal value of Ontario Hydro's

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Original Fair Hydro Plan Wording	Proposed Revised Wording
[illegible]	[illegible]
[illegible]	[illegible]

Fair Hydro Plan and the Clean Electricity Adjustment	2050 Ontario Hydro Redistribution and the Debt Retirement Charge
[redacted]	[redacted]
Fiscal Impact for the Province	
Under the prospective financing structure, transactions related to CEA refinancing, including CEA payments, are not consolidated to the Province, and generally [redacted] have no net impact on the Province's financial statements. [redacted]	The DRC, paid by electricity rate payers, is a revenue to the IESO, and then the Province upon consolidation. The DRC increases revenue [redacted] and [redacted] the Province. [redacted] [redacted] because DRC has an impact on revenue, but not [redacted]
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined.	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.

Fair Hydro Plan and the Clean Energy Adjustment	2009 Ontario Hydro Bridge/Backstop and the Debt Retirement Charge
The total Clean Energy Adjustment payable shall be determined by Ontario Energy Board Staff (Financial Services Manager), and the Ontario Energy Board Auditor, in the event that a petition specified customers are involved over the reference period.	
Payment / Initiate	
The reference period as stated in the proposed Fair Hydro Act will end on April 30, 2015, April 30, 2017 or a later date as may be prescribed in regulation. Correspondingly the Clean Energy Adjustment would also end on April 30, 2015 or a later date.	It was [illegible] that the [illegible] 2008 [illegible] would end. [illegible] and with the intention to end the [illegible] stranded debt, to retire[illegible] The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future ESTI rev.ds and dedicated revenues to ESTI, which depended on the financial performance of OPG, Hydro One Networks Inc. and the LDCs, as well as other factors such as interest rates and electricity consumption. As included in the 2002 Budget, the government has removed the DRC cost from residential electricity users' bills effective January 1, 2002. The government introduced legislation, passed on December 20, 2001, to remove the DRC from bills for residential customers of the LDC at April 1, 2002, for commercial, industrial and all other users
Assessment and Reconciliation	
[illegible]	[illegible]

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APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
MAY 24, 2017

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A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, write-fraud already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and therefore not have the net impact of the stranded debt, which was about $20 billion, reflected on the Province's financial statements. The Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for governmental accounting. It would also have represented a departure from one of the fundamental principles of accounting, namely that assets should not be recorded unless they are likely to provide future economic benefits that can be measured, there is income, and was prudent in making the decision to not create an asset for future anticipated ratepayer" payments. I believe these concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting treatment were not finalized. In this year's audit, we have obtained the Ministry of Finance's detailed supporting analysis and accounting methodology and have discussed it with the Ministry's senior officials responsible for financial reporting. Based on our review of relevant accounting, consultation review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

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Corporate and Electricity Finance Division
May 24, 2017

From:	Ronald Kwan
To:	Ronald Kwan
Subject:	RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date:	Friday, May 26, 2017 7:43:20 AM
Attachments:	Clean energy adjustments vs Debt Retirement Charge_May25 vClean_Markup.docx

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Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott

(MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

R&R HYDROPLAN'S CLEAN ENERGY ADJUSTMENT VS THE OHPC'S DEBT RETIREMENT CHARGE

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ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Rar Hydro Plan (RHP) and the Debt Retirement Charge which was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) residual stranded debt?

COMPARISON

Rar Hydro Plan and the Clean Energy Adjustment	2005 Ontario Hydro Re-Introduction and the Debt Retirement Charge
Description	
• Proposed and implies Rar Hydro Plan ("RHP") is being established in the context of an open, competitive electricity market. • The charter (attachment 1) of portion of the responsibility and all electricity assets of the Rar's Municipal Electricity Utility ("MEU") to the RHP, specifies a responsibility to act in the best interests of the MEU's customers in a fully and properly functioning market. • The Clean Energy Adjustment ("CEA") reflects the recovery of the difference between the market price for electricity and the cost of electricity from the RHP's facilities, which were built to serve the customers of the MEU.	• The 2005 electricity sector restructuring was under the Energy Competition Act, 1998. In order to transfer assets to a competitive sector, Ontario Hydro was split into three companies and a debt was taken by the Ontario Government. • In the 2004 Agreement between OPC and Ontario Hydro Generation, Ontario Hydro Services Corporation and the Province of Ontario, Ontario Hydro Generation's debt to the province was to be recovered under the OEFC. • [illegible]
Recovery Method	
Between 2005 and 2015, Ontario invested more than $30 billion in the electricity system, including $18 billion in electricity generation, to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity	The OEFC recovered debt owned to OHPC as a result of the restructuring via electricity rate under the Energy Competition Act, 1998. • The electricity rate was applied to the [illegible] [illegible] the OEFC. The OEFC was [illegible] [illegible]

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Fair Hydro Plan and the Clean Electricity Act (unknown)	2009 Ontario Hydro Disbandonment and the Debt Retirement Charge
debt. The Eco-charge includes covering the costs of electricity infrastructure investments on an ongoing basis. Ratepayers will see their electricity bills increase but no significant increases in electricity bills through the Eco-charge. As current generating assets are expected to have ongoing useful life and benefit future ratepayers, the government's Fair Hydro Plan proposes to refinance some of the current burden on ratepayers, and shape it over the life of the assets that benefit from it. This will help to provide immediate rate relief by spreading the cost of electricity investments over the expected 50to 70+ of the infrastructure that has been built. In the early years, a portion of the costs covered by the Eco-would be deferred and recovered from ratepayers in future years. Over the life of the asset, the cost of refinancing would be recovered from ratepayers. The recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from ratepayers in future years. It includes the principal transaction costs and debt retirement costs associated with the fair adjustment and consistent with the fair allocation amount.	~~capital to the electricity sector. Future rising electricity bills to provide rate relief for electricity consumers.~~ ~~Ratepayers will see their electricity bills increase but no significant increases in electricity bills through the Eco-charge.~~ When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with responsibility for the stranded debt and other assets, liabilities and other liabilities, totaling $38.4 billion. The $38.4 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.5 billion could be supported by the market and ratepayers. In addition, $7.7 billion was paid by the province to the OEFC. Hydro One, Ontario Power Generation Inc. and the IESO. In particular, OEFC was left with $20.7 billion in ~~unrecovered stranded debt~~ liabilities. ~~The Province~~ ~~intended to fund stranded debt~~ ~~"The" debt will be paid, as close as the employer contends, from the new electricity rates that were introduced in 1999 to~~ ~~compensate those costs to Hydro One and other Ontario customers as users (OEFC - mandated to collect the stranded debt funding).~~ ~~The Province intended to fund stranded debt through a~~ ~~debt retirement charge (DRC) applied to electricity consumption. The DRC was initially set at 0.7 cents per kilowatt hour (kWh) and increased to 1.0 cents per kWh in 2002. The DRC was~~ ~~collected from all electricity consumers in Ontario, with certain exemptions, including~~ ~~low-volume consumers (those with consumption of less than 150,000 kWh per year).~~ ~~To allow~~ OEFC to service and retire $38.4 billion in total debt including the $20.6 billion in stranded debt, the Province

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Fair Hydro Plan and the Clean Energy Act (enforcement)	2009 Ontario Hydro Shareholder and the Debt Retirement Act 2010
	assets from a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity consumers, namely: • The transfer of all of the approximately $4.6 [illegible] net, unsecured, obligation. The net [illegible] and the [illegible] of the Province's [illegible] [illegible] assumed by [illegible] of the Province's [illegible] [illegible] for the assets. • [illegible] [illegible] [illegible]

Fair Hydro Plan and the Clean Electrical Settlement	2009 Ontario Hydro Dislocation and the Debt Retirement Charge
burden of paying for overdrawn, the benefits of which will continue to accrue to future generations. The "debt" that the CEA will retire, is not pre-existing but active, out of the policy choice to shift costs to the future in order to more fairly share the

Fair Hydro Plan and the Clean Energy Adjustment	2009 Ontario Hydro Redescription and the Debt Retirement Charge
from one of the central tenets of generally accepted accounting principles – that revenue not be recognized until it is earned. See below excerpts of remarks by Auditor General Bonnie Lysyk to The Standing Committee on Justice Policy on the Ontario Fair Hydro Plan Act, 2017 and excerpts from the Auditor General of Ontario's 2016 Annual Report:	
Payments Amounts	
The Clean Energy Adjustment payment amount is not yet determined. **The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Financial Services Manager shall calculate the amount which specified customers are invoiced over the reference period.**	The Debt Retirement Charge is presently and has been paid by most electricity consumers on a rate of 0.7 cents per kilowatt hour.
Payment Amounts	
The reference period as stated in the proposed Fair Hydro Act will end on December 31, 2045 (or a later time as may be prescribed in regulation). **Correspondingly, the Clean Energy Adjustment would also end on April 30, 2046 or a later date.**	Initially the DRC payment period was open-ended with the intention to end the DRC once the stranded invested debt is retired. The estimated retirement of residual stranded debt was subject to change, as the amount recovered from the DRC was dependent on the IESO, which is dependent on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2010 Budget, the government has removed the DRC from residential electricity bills effective July 1, 2010 and May 1, 2015. The government introduced legislation, gazetted on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end date for the DRC of April 1, 2018, for commercial, industrial and all other users

Fair Hydro Plan and the Clean Energy Act (solution)	2009 Ontario Hydro Restructuring and the Debt Retirement Charge
Assessment on Electricity Bills	
The Clean Energy Adjustment amount may be embedded into the determination of the prices for the Regulated Price Plan by the OEB and would not show up as a separate line on electricity bills. Note: This assumption is yet to be confirmed.	As stipulated on 23 Aug 2002 by Debt Retirement Charge determination order, the Electricity Act, 1998, the OEB, must clearly show a separate line on the electricity bill, and clearly labelled.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
MAY 24, 2017

"The accounting transaction's structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity rate from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an amount it expects to collect in the future from future ratepayers between 2022 and 2037 that is not yet an income, receivable because the consumer has not yet used that electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the unrecorded debt, while it had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and thereby avoid recording the debt's impact on the Province's bottom line. Ultimately, the debt was recorded and the net impact of the debt was reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [asset] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the fundamental principles of accounting for assets and liabilities, namely that an asset is not recorded if it is not probable that future economic benefits will flow to anyone, and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe these concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting treatment were not finalized. In this year's audit, we have been informed by the Ministry of Finance that it is supporting the creation of a deferred charge to be written down over a 15-year period. Based on our review of the relevant legislation, Canadian generally accepted accounting principles for accounting, shareholder review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an evolving liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not factored until late October. The final financial statements included the net assets/liabilities and operating results, of the four electricity entities owned by the province, and accountabled that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 24, 2017

From:	Ronald Kwan
To:	Jonathan Tekle (CAB)
Subject:	RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Friday, June 02, 2017 10:00:24 AM

Hi Jonathan,

Thanks, and NP. I'd just been wondering if the note we did should be provided to the Deputy in advance. Scott N. attends the meeting on a regular basis as a matter of course, and I had already sent him a copy.

Ron

From: Tekle, Jonathan (MOF) [mailto:Jonathan.Tekle@ontario.ca]
Sent: June-02-17 09:43
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron,

Apologies for the delay, this one slipped through the cracks yesterday. Scott N attended on his behalf.

Thanks,
Jonathan

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 1, 2017 7:42 AM
To: McLean, David (MOF); Tekle, Jonathan (MOF)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Dave, Jonathan,

FYI.

Would the Deputy be attending Energy's FHP weekly?

Ron

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** May 31, 2017 at 10:51:54 PM EDT
> **To:** "Steen Hume (CAB)" <Steen.Hume@ontario.ca>
> **Cc:** "Hilary Cox (ENE)" <Hilary.Cox@ontario.ca>, Gadi Mayman <Gadi.Mayman@ofina.on.ca>, "Scott Nelms (ENERGY)" <Scott.Nelms@ontario.ca>
> **Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017**
>
> Hi Steen,
>
> The attached reflects comments from OPCD, though they have not commented on this

revised version, given the timing.

With comments from the group following tomorrow's meeting, we can further update.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-17 3:21 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

Cindy responded that she would send me comments this evening.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-17 13:33
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

She had a meeting to discuss potentially related issues at 1:30 with her predecessor at the time, so would not be getting back to me before then.

Ron

-----Original Message-----
From: Hume, Steen (ENERGY) [mailto:Steen.Hume@ontario.ca]
Sent: May-31-17 13:29
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron: have you heard back from Cindy?

Thanks,

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-30-17 10:10 PM
To: Mayman, Gadi (OFA); Hume, Steen (ENERGY)
Cc: Cox, Hilary (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi, Steen,

That's right, though more of a table in Word than slides. Cindy said she might have some comments on it, but not before tomorrow afternoon, so if it's okay to wait until then, it would be good to get her feedback.

Ron

-----Original Message-----
From: Gadi Mayman
Sent: May-30-17 8:36 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017

I'm not going to be there, but Ron is and he has a nice deck that's he's just putting the finishing touches on and will send over to you.

Gadi

Original Message
From: Hume, Steen (ENERGY)
Sent: Tuesday, May 30, 2017 7:38 PM
To: Gadi Mayman
Cc: Hilary Cox (ENE)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi. Hope you're keep well.

Just following up on Martin's email from last week re the action items for our next weekly OFHP meeting. Will OFA be able to bring in a comparison of the Clean Energy Adjustment with the DRC for Thursday meeting?

I'm around tomorrow if you'd like to chat. Cheers, Steen

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY)
<Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
Sent: Thursday, May 25, 2017 6:34 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'

Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca<mailto:jordan.penic@ieso.ca>'; 'sarah.branco@ontarioenergyboard.ca<mailto:sarah.branco@ontarioenergyboard.ca>'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com<mailto:catriona.king@opg.com>'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi everyone,

Please find attached the action items from today's meeting. For any items that require providing materials for next week's meeting, please send them to me in advance by end of day Tuesday. I will ensure hard copies are available at the meeting.

For next week it would be helpful to receive materials for the following items:

* Critical paths from OPG, IESO and OEB

* OFA's comparison of the Clean Energy Adjustment with the DRC

* Draft Provincial Guarantees for the dealers from OPG

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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Subject: Rate Mitigation Implementation Meeting - May 25, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ronald Kwan
To:	Ronald Kwan
Subject:	RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date:	Friday, May 26, 2017 7:43:20 AM
Attachments:	Clean energy adjustments vs Debt Retirement Charge_May25 vClean_Markup.docx

---

From: John Kim
Sent: May-25-17 5:02 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Hi Ron,

Pls. see attached. Your feedback would be welcome as we have gone through several iterations over the past few days.

Thanks,

John

From: Ronald Kwan
Sent: Friday, May 19, 2017 7:37 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

Cindy said that next week would be fine.

Thanks,
Ron

On May 19, 2017, at 6:29 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Sure, will do. Any comments on the note last night would be welcome but will engage team members today and next week.
>
> John
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** May-19-17 1:22 AM
> **To:** John Kim <John.Kim@ofina.on.ca>

Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - May 18, 2017

Hi John,

Note the point on "OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge."

Ron

From: Gadi Mayman
Sent: May-18-17 8:16 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - May 18, 2017

I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.

Gadi

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
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(MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo - CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

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R&R HYDROPLAN'S CLEAN ENERGY ADJUSTMENT VS THE OHPC'S DEBT RETIREMENT CHARGE

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Between 2005 and 2015, Ontario invested more than $30 billion in the electricity system, including $18 billion in electricity generation, to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity	The OEFC recovered debt owned to OHPC as a result of the restructuring via electricity rate under the Energy Competition Act, 1998. • The electricity rate was applied to the [illegible] [illegible] the OEFC. The OEFC was [illegible] [illegible]

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Commented [5]: [illegible] [illegible]

Fair Hydro Plan and the Clean Electricity Act (unknown)	2009 Ontario Hydro Disbandonment and the Debt Retirement Charge
debt. The Eco-charge includes covering the costs of electricity infrastructure investments on an ongoing basis. Ratepayers will see their electricity bills increase but no significant increases in electricity bills through the Eco-charge. As current generating assets are expected to have ongoing useful life and benefit future ratepayers, the government's Fair Hydro Plan proposes to refinance some of the current burden on ratepayers, and shape it over the life of the assets that benefit from it. This will help to provide immediate rate relief by spreading the cost of electricity investments over the expected 50to 70+ of the infrastructure that has been built. In the early years, a portion of the costs covered by the Eco-would be deferred and recovered from ratepayers in future years. Over the life of the asset, the cost of refinancing would be recovered from ratepayers. The recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from ratepayers in future years. It includes the principal transaction costs and debt retirement costs associated with the fair adjustment and consistent with the fair allocation amount.	~~capital to the electricity sector. Future rising electricity bills to provide rate relief for electricity consumers.~~ ~~Ratepayers will see their electricity bills increase but no significant increases in electricity bills through the Eco-charge.~~ When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with responsibility for the stranded debt and other assets, liabilities and other liabilities, totaling $38.4 billion. The $38.4 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.5 billion could be supported by the market and ratepayers. In addition, $7.7 billion was paid by the province to the OEFC. Hydro One, Ontario Power Generation Inc. and the IESO. In particular, OEFC was left with $20.7 billion in ~~unrecovered stranded debt~~ liabilities. ~~The Province~~ ~~intended to fund stranded debt~~ ~~"The" debt will be paid, as close as the employer contends, from the new electricity rates that were introduced in 1999 to~~ ~~compensate those costs to Hydro One and other Ontario customers as users (OEFC - mandated to collect the stranded debt funding).~~ ~~The Province intended to fund stranded debt through a~~ ~~debt retirement charge (DRC) applied to electricity consumption. The DRC was initially set at 0.7 cents per kilowatt hour (kWh) and increased to 1.0 cents per kWh in 2002. The DRC was~~ ~~collected from all electricity consumers in Ontario, with certain exemptions, including~~ ~~low-volume consumers (those with consumption of less than 150,000 kWh per year).~~ ~~To allow~~ OEFC to service and retire $38.4 billion in total debt including the $20.6 billion in stranded debt, the Province

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Fair Hydro Plan and the Clean Energy Act (enforcement)	2009 Ontario Hydro Shareholder and the Debt Retirement Act 2010
	assets from a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity consumers, namely: • The transfer of all of the approximately $4.6 [illegible] net, unsecured, obligation. The net [illegible] and the [illegible] of the Province's [illegible] [illegible] assumed by [illegible] of the Province's [illegible] [illegible] for the assets. • [illegible] [illegible] [illegible]

Fair Hydro Plan and the Clean Electrical Settlement	2009 Ontario Hydro Dislocation and the Debt Retirement Charge
burden of paying for overdrawn, the benefits of which will continue to accrue to future generations. The "debt" that the CEA will retire, is not pre-existing but active, out of the policy choice to shift costs to the future in order to more fairly share the

Fair Hydro Plan and the Clean Energy Adjustment	2009 Ontario Hydro Redescription and the Debt Retirement Charge
from one of the central tenets of generally accepted accounting principles – that revenue not be recognized until it is earned. See below excerpts of remarks by Auditor General Bonnie Lysyk to The Standing Committee on Justice Policy on the Ontario Fair Hydro Plan Act, 2017 and excerpts from the Auditor General of Ontario's 2016 Annual Report:	
Payments Amounts	
The Clean Energy Adjustment payment amount is not yet determined. **The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Financial Services Manager shall calculate the amount which specified customers are invoiced over the reference period.**	The Debt Retirement Charge is presently and has been paid by most electricity consumers on a rate of 0.7 cents per kilowatt hour.
Payment Amounts	
The reference period as stated in the proposed Fair Hydro Act will end on December 31, 2045 (or a later time as may be prescribed in regulation). **Correspondingly, the Clean Energy Adjustment would also end on April 30, 2046 or a later date.**	Initially the DRC payment period was open-ended with the intention to end the DRC once the stranded invested debt is retired. The estimated retirement of residual stranded debt was subject to change, as the amount recovered from the DRC was dependent on the IESO, which is dependent on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2010 Budget, the government has removed the DRC from residential electricity bills effective July 1, 2010 and May 1, 2015. The government introduced legislation, gazetted on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end date for the DRC of April 1, 2018, for commercial, industrial and all other users

Fair Hydro Plan and the Clean Energy Act (solution)	2009 Ontario Hydro Restructuring and the Debt Retirement Charge
Assessment on Electricity Bills	
The Clean Energy Adjustment amount may be embedded into the determination of the prices for the Regulated Price Plan by the OEB and would not show up as a separate line on electricity bills. Note: This assumption is yet to be confirmed.	As stipulated on 23 Aug 2002 by Debt Retirement Charge determination order, the Electricity Act, 1998, the OEB, must clearly show a separate line on the electricity bill, and clearly labelled.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132: Ontario Fair Hydro Plan Act, 2017
MAY 24, 2017

"The accounting transaction's structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity rate from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an amount it expects to collect in the future from future ratepayers between 2022 and 2037 that is not yet an income, receivable because the consumer has not yet used that electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the unrecorded debt, while it had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues and thereby avoid recording the debt's impact on the Province's bottom line. Ultimately, the debt was recorded and the net impact of the debt was reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [asset] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the fundamental principles of accounting for assets and liabilities, namely that an asset is not recorded if it is not probable that future economic benefits will flow to anyone, and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe these concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting treatment were not finalized. In this year's audit, we have been informed by the Ministry of Finance that it is supporting the creation of a deferred charge to be written down over a 15-year period. Based on our review of the relevant legislation, Canadian generally accepted accounting principles for accounting, shareholder review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an evolving liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have put an

unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not factored until late October. The final financial statements included the net assets/liabilities and operating results, of the four electricity entities owned by the province, and accountabled that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 24, 2017

From: John Kim
To: Ronald Kwan
Cc: Gavin He; Bruno Amara
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date: Thursday, May 25, 2017 5:02:12 PM
Attachments: Clean energy adjustments vs Debt Retirement Charge_May25 vClean.docx

---

Hi Ron,

Pls. see attached. Your feedback would be welcome as we have gone through several iterations over the past few days.

Thanks,

John

From: Ronald Kwan
Sent: Friday, May 19, 2017 7:37 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 18, 2017

Hi,

Cindy said that next week would be fine.

Thanks,
Ron

On May 19, 2017, at 6:29 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Sure, will do. Any comments on the note last night would be welcome but will engage team members today and next week.
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> **Cc:** Gavin He <Gavin.He@ofina.on.ca>
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Sent: May-18-17 8:16 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - May 18, 2017

I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.

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Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
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Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT VS THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

What are the differences between the proposed Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge which was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) residual stranded debt?

COMPARISON

Clean Energy Adjustment	Debt Retirement Charge
Background	
Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity infrastructure investments on an ongoing basis. The size and timing of these investments led to significant increases in electricity bills through the GA charge. As current generating assets are expected to have ongoing useful life and benefit future ratepayers, the government's Fair Hydro Plan proposes to relieve some of the current burden on ratepayers and share costs more fairly, by refinancing a portion of the GA. This would provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers. This	When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.1 billion. The $38.1 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.1 billion could be supported by the assets of Ontario Hydro successor companies, in particular OPG, Hydro One and IESO, however, OEFC was left with $19.4 billion in unfunded liabilities (often referred to as stranded debt). To allow OEFC to service and retire $38.1 billion in total debt, including the $19.4 billion in stranded debt, the Province established a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity-sector companies. As of April 1, 1999, the present value of these revenue streams was estimated at $13.1 billion, leaving an estimated $7.8 billion of "residual stranded debt".

Clean Energy Adjustment	Debt Retirement Charge
recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from consumers in the future to pay principal, interest, transaction costs and administrative costs associated with the fair adjustment and consistent with the fair allocation amount.	The Debt Retirement Charge (DRC) on electricity bills was established under the Electricity Act, 1998, to be paid to the OEFC to retire the *residual stranded debt*.
Origin of the Debt being Repaid	
The CEA arises from the Government's desire to shift a portion of GA costs to the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue to future generations. The "debt" that the CEA will retire, is not pre-existing but arises out of the policy choice to shift costs to the future in order to more fairly share electricity infrastructure financing costs. That is, the obligation to repay costs in the future through the CEA arises deferred GA costs to current ratepayers are financed. In the Financial Accountability Office's (FAO) report released on May 24, 2017, a set of estimates were provided that the proposals under the FHP would cost the Province $45 billion over 29 years while providing overall savings to eligible electricity ratepayers of $24 billion, resulting in a net cost to Ontarians of $21 billion. None of these estimates include the time value of money or discount future dollar amounts [as the benefits are immediate while the costs occur well into the future].	The establishment of the DRC (and dedicated revenues streams) was a response to the existing debt and liabilities of the former Ontario Hydro. The broad response was a restructuring of a vertically integrated electricity system in Ontario, including the creation of the OEFC and the establishment of revenues streams – dedicated revenues and the DRC – to service the stranded of the former Ontario Hydro. As originally enacted, the intent was for the DRC to be charged to electricity consumers until the residual stranded debt, a complex calculation which included a time value of future electricity sector dedicated revenues, was retired.
Fiscal Impact to the Province	
Under the proposed financing structure, transactions related to GA refinancing, including CEA payments, are not consolidated to the Province, and generally have no net impact on the Province's financial statements.	The DRC, paid by electricity rate payers, is a revenue to the OEFC and in turn the Province upon consolidation. The DRC increases revenues and decreases debt.

Clean Energy Adjustment	Debt Retirement Charge
In her recent remarks to The Standing Committee on Justice Policy on the *Ontario Fair Hydro Plan Act,* Ontario's Auditor General (AG) has raised concerns with the proposed financing structure. The AG notes that a similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. The AG provides an excerpt from the Auditor General's 2000 Annual Report, that this "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned." (See below excerpts of remarks by Auditor General Bonnie Lysyk to The Standing Committee on Justice Policy on the *Ontario Fair Hydro Plan Act, 2017* and excerpts from the Auditor General of Ontario's 2000 Annual Report.	Note: Stranded debt is included in the measurement of net debt
Payment Amounts	
The Clean Energy Adjustment payment amount is not yet determined. **The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager), and the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.**	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment End Date	
The reference period as stated in the proposed Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed in regulation.	Initially the DRC payment period was open ended with the intention to end the DRC once the residual stranded debt is retired.

Clean Energy Adjustment	Debt Retirement Charge
Correspondingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2014 Budget, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2016. The government introduced legislation, passed on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and all other users.
Appearance on Electricity Bills	
The Clean Energy Adjustment amount may be embedded into the determination of the prices for the Regulated Price Plan by the OEB and would not show up as a separate line on electricity bills. Note: This assumption is yet to be confirmed.	As stipulated on O.Reg 494/01: Debt Retirement Charge – Administration under the Electricity Act, 1998, the DRC must show up as a separate line on the electricity bill, and clearly labelled.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132 *Ontario Fair Hydro Plan Act, 2017*
MAY 24 ,2017

"The accounting transaction is structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity costs from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an accounts receivable that it expects to collect from future ratepayers between 2022 and 2047 that is not yet an accounts receivable because the consumer has not yet used the electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, which had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity ratepayers. This approach would have fully offset the total stranded debt, such that there would have been no net debt impact reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned." [end quote] The government heard these concerns and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe those concerns are equally applicable today."

Excerpt from ***Auditor General of Ontario 2000 Annual Report***

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting had not been finalized. In this year's audit, we found that the Ministry of Finance had not adequately supported recognition of the deferred charge as an asset. Accordingly, we found it necessary to conduct extensive accounting research. Based on a full assessment of the proposed accounting, an exhaustive review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government

sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not finalized until late October. The final financial statements included the net assets/ liabilities and operating results of the four electricity entities owned by the province, and we concluded that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 24, 2017

From:	John Kim
To:	Ronald Kwan
Cc:	Gavin He
Subject:	RE: Rate Mitigation Implementation Meeting - May 18, 2017
Date:	Friday, May 19, 2017 7:53:12 AM

Great, thanks.

From: Ronald Kwan
Sent: Friday, May 19, 2017 7:37 AM
To: John Kim <John.Kim@ofina.on.ca>
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Subject: Re: Rate Mitigation Implementation Meeting - May 18, 2017

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From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, May 18, 2017 6:53 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox

(ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Gavin He; Christina Zhang
Subject:	RE: Rate Mitigation Implementation Meeting - March 30, 2017
Date:	Thursday, March 30, 2017 12:41:45 AM

Thanks Gadi,

FYI: In the Equity working group, EFB volunteered to write a note on the process etc. for next week.

Ron

From: Gadi Mayman
Sent: March-29-17 11:13 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Christina Zhang <Christina.Zhang@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - March 30, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Wednesday, March 29, 2017 5:15 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com
Subject: Rate Mitigation Implementation Meeting - March 30, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca

4th Floor, Hearst Block, 900 Bay Street

From: Ronald Kwan
To: Ken Kandeepan
Cc: Gadi Mayman
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017
Date: Thursday, March 23, 2017 5:28:16 PM

Not so much a clarification as an aside on my experience on how Energy works.

Many times items are sent to the Deputy, and he's busy and quite reasonably assumes that there are parallel, horizontal communications, when that is not the way Energy works.

I often contact the DMO (fortunately David can check on that) to see if there are any items that should come our way, and remind them not to assume that something that came their way from Energy is something that we have.

Ron

From: Ken Kandeepan
Sent: March-23-17 17:23
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Oh I see, I only ask because my understanding was that Cindy was at the meeting.

Thanks for the clarification.

Ken K

From: Ronald Kwan
Sent: Thursday, March 23, 2017 5:22 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Hi Ken,

An aside.

Energy often as a default just send things in a hierarchical, siloed fashion – to the top representative in each organisation, and it's to flow from there, under that person's responsibility. So, it'd be up to Helen, for example, to choose who else to send it to in TBS.

Of course, Gadi was there, and he may have a different interpretation!

And it's not pure, since several people in OPG got it (though, again, if OPG asked for it to be done that way, Energy might comply).

Ron

From: Ken Kandeepan
Sent: March-23-17 17:14
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Thanks Gadi, good to know that the modelling is underway, I am surprised that the email from Kelley that you forwarded didn't include Cindy among the addressees.

Ken K

From: Gadi Mayman
Sent: Thursday, March 23, 2017 4:58 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - March 23, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Thursday, March 23, 2017 4:39 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
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Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

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Sent: March-22-17 2:08 PM
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Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca

Subject: Rate Mitigation Implementation Meeting - March 23, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

From:	Ken Kandeepan
To:	Ronald Kwan
Cc:	Gadi Mayman
Subject:	RE: Rate Mitigation Implementation Meeting - March 23, 2017
Date:	Thursday, March 23, 2017 5:22:49 PM

Oh I see, I only ask because my understanding was that Cindy was at the meeting.

Thanks for the clarification.

Ken K

From: Ronald Kwan
Sent: Thursday, March 23, 2017 5:22 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Hi Ken,

An aside.

Energy often as a default just send things in a hierarchical, siloed fashion – to the top representative in each organisation, and it's to flow from there, under that person's responsibility. So, it'd be up to Helen, for example, to choose who else to send it to in TBS.

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And it's not pure, since several people in OPG got it (though, again, if OPG asked for it to be done that way, Energy might comply).

Ron

From: Ken Kandeepan
Sent: March-23-17 17:14
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Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
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Ken K

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Sent: Thursday, March 23, 2017 4:58 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
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Subject: Rate Mitigation Implementation Meeting - March 23, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

From: Ronald Kwan
To: Ken Kandeepan; Gadi Mayman
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017
Date: Thursday, March 23, 2017 5:21:38 PM

Hi Ken,

An aside.

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Ron

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Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

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Ken K

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4th Floor, Hearst Block, 900 Bay Street

From: Ken Kandeepan
To: Gadi Mayman
Cc: Christina Zhang; Gavin He; Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017
Date: Thursday, March 23, 2017 5:14:24 PM

Thanks Gadi, good to know that the modelling is underway, I am surprised that the email from Kelley that you forwarded didn't include Cindy among the addressees.

Ken K

From: Gadi Mayman
Sent: Thursday, March 23, 2017 4:58 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
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4th Floor, Hearst Block, 900 Bay Street

From: Tekle, Jonathan (MOF)
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date: Friday, June 02, 2017 9:43:11 AM

Hi Ron,

Apologies for the delay, this one slipped through the cracks yesterday. Scott N attended on his behalf.

Thanks,
Jonathan

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 1, 2017 7:42 AM
To: McLean, David (MOF); Tekle, Jonathan (MOF)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Dave, Jonathan,

FYI.

Would the Deputy be attending Energy's FHP weekly?

Ron

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** May 31, 2017 at 10:51:54 PM EDT
> **To:** "Steen Hume (CAB)" <Steen.Hume@ontario.ca>
> **Cc:** "Hilary Cox (ENE)" <Hilary.Cox@ontario.ca>, Gadi Mayman <Gadi.Mayman@ofina.on.ca>, "Scott Nelms (ENERGY)" <Scott.Nelms@ontario.ca>
> **Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017**
>
> Hi Steen,
>
> The attached reflects comments from OPCD, though they have not commented on this revised version, given the timing.
>
> With comments from the group following tomorrow's meeting, we can further update.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-17 3:21 PM
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
> Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

Cindy responded that she would send me comments this evening.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-17 13:33
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

She had a meeting to discuss potentially related issues at 1:30 with her predecessor at the time, so would not be getting back to me before then.

Ron

-----Original Message-----
From: Hume, Steen (ENERGY) [mailto:Steen.Hume@ontario.ca]
Sent: May-31-17 13:29
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron: have you heard back from Cindy?

Thanks,

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-30-17 10:10 PM
To: Mayman, Gadi (OFA); Hume, Steen (ENERGY)
Cc: Cox, Hilary (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi, Steen,

That's right, though more of a table in Word than slides. Cindy said she might have some comments on it, but not before tomorrow afternoon, so if it's okay to wait until then, it would be good to get her feedback.

Ron

-----Original Message-----
From: Gadi Mayman
Sent: May-30-17 8:36 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Ronald Kwan

<Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017

I'm not going to be there, but Ron is and he has a nice deck that's he's just putting the finishing touches on and will send over to you.

Gadi

Original Message
From: Hume, Steen (ENERGY)
Sent: Tuesday, May 30, 2017 7:38 PM
To: Gadi Mayman
Cc: Hilary Cox (ENE)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi. Hope you're keep well.

Just following up on Martin's email from last week re the action items for our next weekly OFHP meeting. Will OFA be able to bring in a comparison of the Clean Energy Adjustment with the DRC for Thursday meeting?

I'm around tomorrow if you'd like to chat. Cheers, Steen

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY)
<Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
Sent: Thursday, May 25, 2017 6:34 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca<mailto:jordan.penic@ieso.ca>'; 'sarah.branco@ontarioenergyboard.ca<mailto:sarah.branco@ontarioenergyboard.ca>'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com<mailto:catriona.king@opg.com>'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi everyone,

Please find attached the action items from today's meeting. For any items that require

providing materials for next week's meeting, please send them to me in advance by end of day Tuesday. I will ensure hard copies are available at the meeting.

For next week it would be helpful to receive materials for the following items:

* Critical paths from OPG, IESO and OEB

* OFA's comparison of the Clean Energy Adjustment with the DRC

* Draft Provincial Guarantees for the dealers from OPG

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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Subject: Rate Mitigation Implementation Meeting - May 25, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hume, Steen (ENERGY)
To:	Ronald Kwan
Cc:	Hilary Cox (ENE); Gadi Mayman; Scott Nelms (ENERGY); Martin Schlaepfer (MOF)
Subject:	RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Thursday, June 01, 2017 7:37:13 AM
Attachments:	Clean energy adjustment vs Debt Retirement Charge_May31.docx

---

Thanks Ron. Can you bring copies of the attached.

Cheers, Steen

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-31-17 10:52 PM
To: Hume, Steen (ENERGY)
Cc: Cox, Hilary (ENERGY); Mayman, Gadi (OFA); Nelms, Scott (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

The attached reflects comments from OPCD, though they have not commented on this revised version, given the timing.

With comments from the group following tomorrow's meeting, we can further update.

Ron

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From: Ronald Kwan
Sent: May-31-17 3:21 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

Cindy responded that she would send me comments this evening.

Ron

-----Original Message-----
From: Ronald Kwan
Sent: May-31-17 13:33
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Steen,

She had a meeting to discuss potentially related issues at 1:30 with her predecessor at the time, so would not be getting back to me before then.

Ron

-----Original Message-----

From: Hume, Steen (ENERGY) [mailto:Steen.Hume@ontario.ca]
Sent: May-31-17 13:29
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron: have you heard back from Cindy?

Thanks,

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-30-17 10:10 PM
To: Mayman, Gadi (OFA); Hume, Steen (ENERGY)
Cc: Cox, Hilary (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi, Steen,

That's right, though more of a table in Word than slides. Cindy said she might have some comments on it, but not before tomorrow afternoon, so if it's okay to wait until then, it would be good to get her feedback.

Ron

-----Original Message-----
From: Gadi Mayman
Sent: May-30-17 8:36 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017

I'm not going to be there, but Ron is and he has a nice deck that's he's just putting the finishing touches on and will send over to you.

Gadi

Original Message
From: Hume, Steen (ENERGY)
Sent: Tuesday, May 30, 2017 7:38 PM
To: Gadi Mayman
Cc: Hilary Cox (ENE)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi. Hope you're keep well.

Just following up on Martin's email from last week re the action items for our next weekly OFHP meeting. Will OFA be able to bring in a comparison of the Clean Energy Adjustment with the DRC for Thursday meeting?

I'm around tomorrow if you'd like to chat. Cheers, Steen

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
Sent: Thursday, May 25, 2017 6:34 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY);

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FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT AND THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

To provide background and key points in a comparison between the Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge that was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) debt and other liabilities.

Fair Hydro Plan and the Clean Energy Adjustment	**1999 Ontario Hydro Restructuring and the Debt Retirement Charge**
Key Points	
• The Fair Hydro Plan ("FHP") is being established in the context of an almost fully regulated or contracted market. o The Global Adjustment ("GA", a portion of the commodity cost of electricity) deferral portion of the FHP is to more fairly allocate the cost recovery from ratepayers of the cost of certain investments in generation assets and conservation that are expected to last longer than their typically 20-year contract terms.	• The 1999 electricity sector restructuring was under the *Energy Competition Act, 1998*, ("ECA") to move Ontario's electricity sector to a competitive structure, including providing for private sector involvement and a market price for the electricity commodity.
• This GA deferral portion of the FHP is being established under legislation and a regulatory framework, underpinning the establishment of a regulatory asset, with a deferral account for the deferred portion of GA costs and the associated financing costs.	• The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory structure (e.g., with no role for the OEB), and the Province did not establish a defined deferral account balance or a particular amount to be recovered under the DRC. The DRC was authorized under the Electricity Act, 1998, until the "residual stranded debt" ("RSD") was retired, as determined by the Minister of Finance. o Because of the ECA's purpose was to provide for a competitive market, the actual annual amounts of other dedicated revenues (e.g., PILs, electricity sector dedicated income – "ESDI") to be paid to OEFC was uncertain, since it depended on the successor companies' actual financial performance. Therefore, the timeframe for retiring RSD was uncertain – so the length and total amount of DRC required was uncertain.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
• The Clean Energy Adjustment ("CEA") reflects the recovery of the deferral account balance, with a legal/regulatory structure supporting certainty on the ability to recover, and as defined over a particular timeframe to be defined under the FHP Act. o The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager) and recovered from ratepayers.	• The DRC reflects a portion of the disaggregation of the old "bundled rate" of the old Ontario Hydro that included cost recovery related to generation, transmission and central market services, and including debt costs. o The DRC reflected the break-up of the old Ontario Hydro, vertically-integrated monopoly and its bundled rates into commodity, delivery, central market, and a portion of legacy debt service components. It was not considered a "new" or additional cost for the all-in price of electricity. o As such, the intention of establishing the DRC framework was not to shift in time the cost recovery of the old Ontario Hydro debt and other liabilities.
• As a result of the deferral, financing is required, resulting in additional gross debt under the FHP structure.	• "Unbundling" the rates did not in itself create new debt. Though the estimated liability for non-utility generator contracts became recognized on OEFC's balance sheet, cost recovery of those contracts had been part of the old Ontario Hydro bundled rates.
• The Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	• The DRC was set by the government, under the *Electricity Act, 1998*, at 0.7 cents per kilowatt-hour for most electricity consumed in Ontario. It is paid to OEFC, and, under an MOU, administered by the Ministry of Finance (originally by the former Ministry of Revenue). • Having the old Ontario Hydro debt and other liabilities managed by OEFC, and the DRC paid to OEFC, with separate, audited financial statements, provided for transparency and accountability. o [Note: An argument was made back in the 1999 and 2000 period that OEFC's revenues over time, as dedicated to it under legislation, could be reflected as assets on OEFC's balance sheet. In the end, this was not the accounting treatment established for OEFC. The Provincial accounting treatment agreed to was to charge the Province's accumulated deficit for the amount of the stranded debt]

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Detailed Context	
The CEA arises from the Government's policy to shift a portion of GA costs to the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue to future generations. Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity infrastructure investments on an ongoing basis. The size and timing of these investments led to significant increases in electricity bills through the GA charge. While the majority of the contracted generation is for a 20-year term, the generating assets are expected to have ongoing useful life beyond that term, and certain conservation investments are also expected to benefit future ratepayers, justifying the planned longer timeframe for recovery under the Fair Hydro Plan. The government's Fair Hydro Plan will relieve some of the current GA cost burden on today's ratepayers and share costs more fairly, by refinancing a portion of the GA, and recovering costs in the future through a deferral account. This will provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA will be refinanced to reduce pressure on today's electricity ratepayers. In later years, in addition to the deferred amounts of GA costs, the cost of refinancing will be recovered from ratepayers. This recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from consumers in the future to pay principal, interest, transaction costs and	The OEFC stranded debt arose in 1999 as a result of the restructuring of the electricity sector under the *Energy Competition Act, 1998*. • The underlying policy intent was to create competition in the sector, including the break-up of the former Ontario Hydro and creating a tax-payments-in-lieu of taxes level playing field for private and public sector owned electricity companies. • The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.1 billion. The $38.1 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.1 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies, in particular OPG, Hydro One and IESO, however, OEFC was left with $20.9 billion in stranded debt. Conceptually, stranding was generated by two factors: • "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – as regulated for Hydro One, and as for comparable competitive generators for OPG}. • "Competition" stranding, where the projected future commodity price of electricity was estimated to be lower than the former rate-regulated price, such that OPG could support a lower level of debt, and a liability was created with respect to

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
administrative costs associated with the fair adjustment and consistent with the fair allocation amount. The debt that the CEA will retire, is not pre-existing but arises out of the policy choice to shift a portion of contract cost recovery, along with the cost of financing that shift, from current monthly settlements to the future in order to more fairly distribute the costs associated with the benefit of electricity infrastructure investment costs. There was an existing policy in place to recover these costs within a 12 month period and that policy has changed to recover these costs within a 30 year period.	the legacy power purchase agreements (PPAs) with non-utility generators (NUGs). To allow OEFC to service and retire $38.1 billion in total debt, including the $20.9 billion in stranded debt, the Province established a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity-sector companies. • This included dedicating the amounts to OEFC related to the "commercial" stranding: PILs to OEFC and the "Electricity Sector Dedicated Income" in respect of the net income (i.e., ROE) in excess of the Province's financing cost for the equity. • As PILs were dedicated to OEFC, they were not considered to be a net pressure on all-in prices, simply replacing a portion of debt-service costs that had been embedded in the old regulated prices of Ontario Hydro. The higher ROE was also effectively recycled too. • As of April 1, 1999, the present value of these revenue streams was estimated at $13.1 billion, leaving an estimated $7.8 billion of "residual stranded debt". • Due to the uncertainty discussed above, the Act provided for the Minister of Finance to update the RSD determination from time to time. The Debt Retirement Charge (DRC) on electricity bills was established under the Electricity Act, 1998, to be paid to the OEFC until the *residual stranded debt* was retired (as determined by the Minister of Finance). • As this was related to "competition" stranding, which created price room due from the lower projected commodity price, the DRC was not considered to be creating price pressure, but was in effect just a disaggregation of a portion of the debt service costs embedded in the old regulated rates of Ontario Hydro.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Fiscal Impact to the Province	
Under the FHP financing structure, transactions related to GA refinancing, including CEA payments, will be reflected on the Province's consolidated results through the consolidation of OPG and the IESO. Based on the anticipated accounting treatment, the CEA transactions will not have a net impact on the Province's surplus or deficit, annually or over time (at least not materially). o Note: OPG's net income is expected to increase by the amount of the interest it charges to the Trust on the debt issued to the Trust funded by the 44% equity injection. That net income increase will provide a fiscal offset to the Province's increased IOD from the Province's borrowings related to the equity injection.	The DRC, paid by electricity rate payers, is a revenue to the OEFC and in turn the Province upon consolidation. The DRC increases revenues, and helps offset debt service costs of OEFC (and the Province, on consolidation). Over time, where OEFC has an excess of revenues (including DRC) over expense, this decreases OEFC's unfunded liability (sometimes called "stranded debt"). Note: Stranded debt is included in the measurement of the Province's net debt
Payment Amounts	
The annual Clean Energy Adjustment payment amount will be determined by the Financial Services Manager and is not yet determined. Once the total Clean Energy Adjustment payable is determined by Ontario Power Generation (Financial Services Manager), the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment End Date	
The reference period as stated in the Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed in regulation. Correspondingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Initially, under the *Electricity Act, 1998*, the DRC payment period was open ended with the intention to end the DRC once the residual stranded debt is retired.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
	The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2014 Budget, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2016. The government introduced legislation, passed on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and all other users.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132 *Ontario Fair Hydro Plan Act, 2017*

MAY 24 ,2017

"The accounting transaction is structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity costs from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an accounts receivable that it expects to collect from future ratepayers between 2022 and 2047 that is not yet an accounts receivable because the consumer has not yet used the electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, which had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity ratepayers. This approach would have fully offset the total stranded debt, such that there would have been no net debt impact reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned." [end quote] The government heard these concerns and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe those concerns are equally applicable today."

Excerpt from *Auditor General of Ontario 2000 Annual Report*

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting had not been finalized. In this year's audit, we found that the Ministry of Finance had not adequately supported recognition of the deferred charge as an asset. Accordingly, we found it necessary to conduct extensive accounting research. Based on a full assessment of the proposed accounting, an exhaustive review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not finalized until late October. The final financial statements included the net assets/ liabilities and operating results of the four electricity entities owned by the province, and we concluded that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 31, 2017

From:	Ronald Kwan
To:	Steen Hume (CAB)
Cc:	Hilary Cox (ENE); Gadi Mayman; Scott Nelms (ENERGY)
Subject:	RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Wednesday, May 31, 2017 10:51:55 PM
Attachments:	Clean energy adjustment vs Debt Retirement Charge_May31.docx

---

Hi Steen,

The attached reflects comments from OPCD, though they have not commented on this revised version, given the timing.

With comments from the group following tomorrow's meeting, we can further update.

Ron

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Sent: May-31-17 13:29
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron: have you heard back from Cindy?

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Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

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I'm around tomorrow if you'd like to chat. Cheers, Steen

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Sent: Thursday, May 25, 2017 6:34 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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FAIR HYDRO PLAN'S CLEAN ENERGY ADJUSTMENT AND THE OEFC'S DEBT RETIREMENT CHARGE

ISSUE

To provide background and key points in a comparison between the Clean Energy Adjustment (CEA) under the Fair Hydro Plan (FHP) and the Debt Retirement Charge that was implemented to help service and retire the Ontario Electricity Financial Corporation's (OEFC) debt and other liabilities.

Fair Hydro Plan and the Clean Energy Adjustment	**1999 Ontario Hydro Restructuring and the Debt Retirement Charge**
Key Points	
• The Fair Hydro Plan ("FHP") is being established in the context of an almost fully regulated or contracted market. o The Global Adjustment ("GA", a portion of the commodity cost of electricity) deferral portion of the FHP is to more fairly allocate the cost recovery from ratepayers of the cost of certain investments in generation assets and conservation that are expected to last longer than their typically 20-year contract terms.	• The 1999 electricity sector restructuring was under the *Energy Competition Act, 1998*, ("ECA") to move Ontario's electricity sector to a competitive structure, including providing for private sector involvement and a market price for the electricity commodity.
• This GA deferral portion of the FHP is being established under legislation and a regulatory framework, underpinning the establishment of a regulatory asset, with a deferral account for the deferred portion of GA costs and the associated financing costs.	• The Debt Retirement Charge ("DRC") was provided for under legislation; however, it was not under a regulatory structure (e.g., with no role for the OEB), and the Province did not establish a defined deferral account balance or a particular amount to be recovered under the DRC. The DRC was authorized under the Electricity Act, 1998, until the "residual stranded debt" ("RSD") was retired, as determined by the Minister of Finance. o Because of the ECA's purpose was to provide for a competitive market, the actual annual amounts of other dedicated revenues (e.g., PILs, electricity sector dedicated income – "ESDI") to be paid to OEFC was uncertain, since it depended on the successor companies' actual financial performance. Therefore, the timeframe for retiring RSD was uncertain – so the length and total amount of DRC required was uncertain.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
• The Clean Energy Adjustment ("CEA") reflects the recovery of the deferral account balance, with a legal/regulatory structure supporting certainty on the ability to recover, and as defined over a particular timeframe to be defined under the FHP Act. o The total Clean Energy Adjustment payable shall be determined by Ontario Power Generation (Financial Services Manager) and recovered from ratepayers.	• The DRC reflects a portion of the disaggregation of the old "bundled rate" of the old Ontario Hydro that included cost recovery related to generation, transmission and central market services, and including debt costs. o The DRC reflected the break-up of the old Ontario Hydro, vertically-integrated monopoly and its bundled rates into commodity, delivery, central market, and a portion of legacy debt service components. It was not considered a "new" or additional cost for the all-in price of electricity. o As such, the intention of establishing the DRC framework was not to shift in time the cost recovery of the old Ontario Hydro debt and other liabilities.
• As a result of the deferral, financing is required, resulting in additional gross debt under the FHP structure.	• "Unbundling" the rates did not in itself create new debt. Though the estimated liability for non-utility generator contracts became recognized on OEFC's balance sheet, cost recovery of those contracts had been part of the old Ontario Hydro bundled rates.
• The Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	• The DRC was set by the government, under the *Electricity Act, 1998*, at 0.7 cents per kilowatt-hour for most electricity consumed in Ontario. It is paid to OEFC, and, under an MOU, administered by the Ministry of Finance (originally by the former Ministry of Revenue). • Having the old Ontario Hydro debt and other liabilities managed by OEFC, and the DRC paid to OEFC, with separate, audited financial statements, provided for transparency and accountability. o [Note: An argument was made back in the 1999 and 2000 period that OEFC's revenues over time, as dedicated to it under legislation, could be reflected as assets on OEFC's balance sheet. In the end, this was not the accounting treatment established for OEFC. The Provincial accounting treatment agreed to was to charge the Province's accumulated deficit for the amount of the stranded debt]

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Detailed Context	
The CEA arises from the Government's policy to shift a portion of GA costs to the future in order to relieve current ratepayers of some of the burden of paying for investments the benefits of which will continue to accrue to future generations. Between 2005 and 2015, Ontario invested more than $50 billion in the electricity system, including $35 billion in electricity generation to ensure the system is clean and reliable. The costs of these investments are funded in part through the Global Adjustment charge on electricity bills. The GA charge includes covering the costs of electricity infrastructure investments on an ongoing basis. The size and timing of these investments led to significant increases in electricity bills through the GA charge. While the majority of the contracted generation is for a 20-year term, the generating assets are expected to have ongoing useful life beyond that term, and certain conservation investments are also expected to benefit future ratepayers, justifying the planned longer timeframe for recovery under the Fair Hydro Plan. The government's Fair Hydro Plan will relieve some of the current GA cost burden on today's ratepayers and share costs more fairly, by refinancing a portion of the GA, and recovering costs in the future through a deferral account. This will provide immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA will be refinanced to reduce pressure on today's electricity ratepayers. In later years, in addition to the deferred amounts of GA costs, the cost of refinancing will be recovered from ratepayers. This recovery is the clean energy adjustment (CEA). It is the amount that will be recovered from consumers in the future to pay principal, interest, transaction costs and	The OEFC stranded debt arose in 1999 as a result of the restructuring of the electricity sector under the *Energy Competition Act, 1998*. • The underlying policy intent was to create competition in the sector, including the break-up of the former Ontario Hydro and creating a tax-payments-in-lieu of taxes level playing field for private and public sector owned electricity companies. • The Act also provided for the Debt Retirement Charge (DRC), to help manage the legacy debt and other liabilities of the former Ontario Hydro. When the former Ontario Hydro was restructured on April 1, 1999, the Ontario Electricity Financial Corporation (OEFC) was established with the mandate to manage and retire the former Ontario Hydro's debt and other liabilities, totaling $38.1 billion. The $38.1 billion in debt and liabilities had been accumulated in building Ontario's electricity generation and transmission infrastructure. A portion of the $38.1 billion could be supported, in the context of a restructured market, by the assets of Ontario Hydro successor companies, in particular OPG, Hydro One and IESO, however, OEFC was left with $20.9 billion in stranded debt. Conceptually, stranding was generated by two factors: • "Commercial" stranding, as level-playing field "PILs" were put in place, resulting in the successor companies having less cash flow to support debt, and as the commercial successor companies would have a higher cost of capital {a higher, commercial, return on equity (ROE) – as regulated for Hydro One, and as for comparable competitive generators for OPG}. • "Competition" stranding, where the projected future commodity price of electricity was estimated to be lower than the former rate-regulated price, such that OPG could support a lower level of debt, and a liability was created with respect to

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
administrative costs associated with the fair adjustment and consistent with the fair allocation amount. The debt that the CEA will retire, is not pre-existing but arises out of the policy choice to shift a portion of contract cost recovery, along with the cost of financing that shift, from current monthly settlements to the future in order to more fairly distribute the costs associated with the benefit of electricity infrastructure investment costs. There was an existing policy in place to recover these costs within a 12 month period and that policy has changed to recover these costs within a 30 year period.	the legacy power purchase agreements (PPAs) with non-utility generators (NUGs). To allow OEFC to service and retire $38.1 billion in total debt, including the $20.9 billion in stranded debt, the Province established a long-term plan where debt servicing and repayment would be through dedicated revenues from electricity-sector companies. • This included dedicating the amounts to OEFC related to the "commercial" stranding: PILs to OEFC and the "Electricity Sector Dedicated Income" in respect of the net income (i.e., ROE) in excess of the Province's financing cost for the equity. • As PILs were dedicated to OEFC, they were not considered to be a net pressure on all-in prices, simply replacing a portion of debt-service costs that had been embedded in the old regulated prices of Ontario Hydro. The higher ROE was also effectively recycled too. • As of April 1, 1999, the present value of these revenue streams was estimated at $13.1 billion, leaving an estimated $7.8 billion of "residual stranded debt". • Due to the uncertainty discussed above, the Act provided for the Minister of Finance to update the RSD determination from time to time. The Debt Retirement Charge (DRC) on electricity bills was established under the Electricity Act, 1998, to be paid to the OEFC until the *residual stranded debt* was retired (as determined by the Minister of Finance). • As this was related to "competition" stranding, which created price room due from the lower projected commodity price, the DRC was not considered to be creating price pressure, but was in effect just a disaggregation of a portion of the debt service costs embedded in the old regulated rates of Ontario Hydro.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
Fiscal Impact to the Province	
Under the FHP financing structure, transactions related to GA refinancing, including CEA payments, will be reflected on the Province's consolidated results through the consolidation of OPG and the IESO. Based on the anticipated accounting treatment, the CEA transactions will not have a net impact on the Province's surplus or deficit, annually or over time (at least not materially). o Note: OPG's net income is expected to increase by the amount of the interest it charges to the Trust on the debt issued to the Trust funded by the 44% equity injection. That net income increase will provide a fiscal offset to the Province's increased IOD from the Province's borrowings related to the equity injection.	The DRC, paid by electricity rate payers, is a revenue to the OEFC and in turn the Province upon consolidation. The DRC increases revenues, and helps offset debt service costs of OEFC (and the Province, on consolidation). Over time, where OEFC has an excess of revenues (including DRC) over expense, this decreases OEFC's unfunded liability (sometimes called "stranded debt"). Note: Stranded debt is included in the measurement of the Province's net debt
Payment Amounts	
The annual Clean Energy Adjustment payment amount will be determined by the Financial Services Manager and is not yet determined. Once the total Clean Energy Adjustment payable is determined by Ontario Power Generation (Financial Services Manager), the Ontario Energy Board shall determine the rates at which specified customers are invoiced over the reference period.	The Debt Retirement Charge is presently and has been paid by most electricity consumers at a rate of 0.7 cents per kilowatt hour.
Payment End Date	
The reference period as stated in the Fair Hydro Act will end on either April 30, 2047 or a later date as may be prescribed in regulation. Correspondingly the Clean Energy Adjustment would also end on April 30, 2047 or a later date.	Initially, under the *Electricity Act, 1998*, the DRC payment period was open ended with the intention to end the DRC once the residual stranded debt is retired.

Fair Hydro Plan and the Clean Energy Adjustment	1999 Ontario Hydro Restructuring and the Debt Retirement Charge
	The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption. As included in the 2014 Budget, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2016. The government introduced legislation, passed on December 10, 2015, the Budget Measures Act, 2015 to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and all other users.

APPENDIX

Excerpt from Remarks by Auditor General Bonnie Lysyk to the Standing Committee on Justice Policy on Bill 132 *Ontario Fair Hydro Plan Act, 2017*

MAY 24 ,2017

"The accounting transaction is structured in a complex manner. In simple terms, the government plans to record as an asset the expected recovery of the 25% in electricity costs from future ratepayers that it will borrow for and pay to power producers today. In essence, it is setting up as an asset an accounts receivable that it expects to collect from future ratepayers between 2022 and 2047 that is not yet an accounts receivable because the consumer has not yet used the electricity.

A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s. At that time, the government did not want the net impact of the stranded debt, which had already been incurred, to be reflected on the Province's financial statements. Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity ratepayers. This approach would have fully offset the total stranded debt, such that there would have been no net debt impact reflected on the Province's consolidated financial statements. The Auditor General's opinion, as stated in our Office's 2000 Annual Report, was that this [quote] "would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned." [end quote] The government heard these concerns and was prudent in making the decision to not create an asset for future anticipated ratepayer payments. I believe those concerns are equally applicable today."

Excerpt from *Auditor General of Ontario 2000 Annual Report*

"In last year's Annual Report, I indicated that the government intended to offset Ontario Hydro's stranded debt with a deferred charge on OEFC's statement of financial position in accordance with accounting standards for rate-regulated utilities. I further indicated at that time that the details of this accounting had not been finalized. In this year's audit, we found that the Ministry of Finance had not adequately supported recognition of the deferred charge as an asset. Accordingly, we found it necessary to conduct extensive accounting research. Based on a full assessment of the proposed accounting, an exhaustive review of Canadian and U.S. accounting standards, discussions with ministry staff and external advice, we concluded that the deferred charge could not be recorded as an asset.

The deferred charge approach would have excluded the stranded debt entirely from the measure of the government's net debt. It would have also excluded the electricity sector's annual operating income or loss from the measure of the government's annual surplus or deficit. Failing to recognize an existing liability, particularly one of the magnitude of OEFC's stranded debt, as well as the ongoing income or loss from a significant government sector because of the expectation that this debt would eventually be discharged by means of future dedicated revenue streams would have set an unacceptable precedent for government accounting. It would also have represented a departure from one of the central tenets of generally accepted accounting principles—that revenue not be recognized until it is earned.

Our research also indicated that certain provisions for loss deferral allowed only for rate-regulated utilities were not applicable to Ontario's situation. Work on resolving this complex issue was not finalized until late October. The final financial statements included the net assets/ liabilities and operating results of the four electricity entities owned by the province, and we concluded that this accounting resulted in a fair presentation of the province's financial position and operating results."

Corporate and Electricity Finance Division
May 31, 2017

From: Ronald Kwan
To: Steen Hume (CAB)
Cc: Hilary Cox (ENE); Gadi Mayman
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date: Wednesday, May 31, 2017 3:20:58 PM

Hi Steen,

Cindy responded that she would send me comments this evening.

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Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron: have you heard back from Cindy?

Thanks,

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May-30-17 10:10 PM
To: Mayman, Gadi (OFA); Hume, Steen (ENERGY)
Cc: Cox, Hilary (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi, Steen,

That's right, though more of a table in Word than slides. Cindy said she might have some comments on it, but not before tomorrow afternoon, so if it's okay to wait until then, it would be good to get her feedback.

Ron

-----Original Message-----
From: Gadi Mayman
Sent: May-30-17 8:36 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017

I'm not going to be there, but Ron is and he has a nice deck that's he's just putting the finishing touches on and will send over to you.

Gadi

Original Message
From: Hume, Steen (ENERGY)
Sent: Tuesday, May 30, 2017 7:38 PM
To: Gadi Mayman
Cc: Hilary Cox (ENE)

Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi. Hope you're keep well.

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I'm around tomorrow if you'd like to chat. Cheers, Steen

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
Sent: Thursday, May 25, 2017 6:34 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred

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From: Hume, Steen (ENERGY)
To: Ronald Kwan
Cc: Hilary Cox (ENE); Gadi Mayman
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date: Wednesday, May 31, 2017 1:29:42 PM

Hi Ron: have you heard back from Cindy?

Thanks,

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Cc: Cox, Hilary (ENERGY)
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From: Ronald Kwan
To: Gadi Mayman; Steen Hume (CAB)
Cc: Hilary Cox (ENE)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date: Tuesday, May 30, 2017 10:10:34 PM

Hi Gadi, Steen,

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Thanks,
Martin

From:	Ronald Kwan
To:	Jonathan Tekle (CAB)
Subject:	RE: Rate Mitigation Implementation Meeting - May 25, 2017
Date:	Friday, June 02, 2017 10:53:24 AM

Hi Jonathan,

Not as of yet. It was distributed and comments are to be sent in with a target for a finalised version by end of next week. OPCD anticipates providing the final version to the AG, so the Deputy may want to review it, and I'll take your view on looping in Marianne.

Ron

From: Tekle, Jonathan (MOF) [mailto:Jonathan.Tekle@ontario.ca]
Sent: June-02-17 10:08
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Ok, great. Any further updates to the note as result of the meeting? I can provide in his daily binder this evening.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 2, 2017 10:00 AM
To: Tekle, Jonathan (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Jonathan,

Thanks, and NP. I'd just been wondering if the note we did should be provided to the Deputy in advance. Scott N. attends the meeting on a regular basis as a matter of course, and I had already sent him a copy.

Ron

From: Tekle, Jonathan (MOF) [mailto:Jonathan.Tekle@ontario.ca]
Sent: June-02-17 09:43
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Ron,

Apologies for the delay, this one slipped through the cracks yesterday. Scott N attended on his behalf.

Thanks,
Jonathan

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 1, 2017 7:42 AM
To: McLean, David (MOF); Tekle, Jonathan (MOF)

Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Dave, Jonathan,

FYI.

Would the Deputy be attending Energy's FHP weekly?

Ron

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** May 31, 2017 at 10:51:54 PM EDT
> **To:** "Steen Hume (CAB)" <Steen.Hume@ontario.ca>
> **Cc:** "Hilary Cox (ENE)" <Hilary.Cox@ontario.ca>, Gadi Mayman <Gadi.Mayman@ofina.on.ca>, "Scott Nelms (ENERGY)" <Scott.Nelms@ontario.ca>
> **Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017**
>
> Hi Steen,
>
> The attached reflects comments from OPCD, though they have not commented on this revised version, given the timing.
>
> With comments from the group following tomorrow's meeting, we can further update.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-17 3:21 PM
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
> Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Hi Steen,
>
> Cindy responded that she would send me comments this evening.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-17 13:33
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
> Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Hi Steen,

She had a meeting to discuss potentially related issues at 1:30 with her predecessor at the time, so would not be getting back to me before then.

Ron

-----Original Message-----
From: Hume, Steen (ENERGY) [mailto:Steen.Hume@ontario.ca]
Sent: May-31-17 13:29
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM

To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca<mailto:jordan.penic@ieso.ca>'; 'sarah.branco@ontarioenergyboard.ca<mailto:sarah.branco@ontarioenergyboard.ca>'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com<mailto:catriona.king@opg.com>'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 25, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 11:59:41 AM

Hi Ron,

I'm tragic with formatting so relied on Legal but will look for that and get it done hopefully before you return.

John

From: Ronald Kwan
Sent: Wednesday, November 01, 2017 11:59 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

I'm heading back to 1 Dundas, but only very briefly.

Shouldn't the letter have the normal ".../2" pagination at the bottom and header with the recipient names and page numbers on top?

Ron

From: Ronald Kwan
Sent: November 1, 2017 9:22 AM
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

I'd say send the signed pdf to IESO and Energy at the same time.

Ron

From: John Kim
Sent: November 1, 2017 9:03 AM
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

Also, if we can get Steen to sign today before sending to IESO, it'd be really best.

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BTW, Kim did not attend the meeting in person. As the letter can be signed in counterparts, can we send her a PDF copy for her to sign back two right now?

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> Nothing back on the IGB deck....on a related note, I am wondering if you can get the letter agreement signed fully by everyone at the meeting.
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> John
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> From: Ronald Kwan

Sent: Tuesday,
October 31, 2017
5:52 PM
To: John Kim
<John.Kim@ofina.on.ca>

Subject: FW: Rate
Mitigation
Implementation
Meeting -
November 1, 2017

Hi John,

Please review.

On a related issue,
any comments back
on the IGB slide
deck?

Ron

-----Original
Message-----
From: Gadi
Mayman
Sent: October-31-
17 15:54
To: Ronald Kwan
<Ronald.Kwan@ofina.on.ca>;
Ken Kandeepan
<Ken.Kandeepan@ofina.on.ca>

Cc: Anna Strathy
<Anna.Strathy@ofina.on.ca>;
Usman Zahid
<Usman.Zahid@ofina.on.ca>

Subject: FW: Rate
Mitigation
Implementation
Meeting -
November 1, 2017

-----Original
Message-----
From: Schlaepfer,

Martin (ENERGY)
[mailto:Martin.Schlaepfer@ontario.ca]

Sent: Tuesday,
October 31, 2017
3:52 PM
To: Steen Hume
(CAB)
<Steen.Hume@ontario.ca>;
Kaili Sermat-
Harding
(ENERGY)
<Kaili.Sermat-
Harding@ontario.ca>;
Carolyn Calwell
(MCSS)
<Carolyn.Calwell@ontario.ca>;
Scott Nelms
(ENERGY)
<Scott.Nelms@ontario.ca>;
"jeffrey.lyash@opg.com'
(jeffrey.lyash@opg.com)'
<jeffrey.lyash@opg.com>;
'HARTWICK Ken
-FINANCE
(ken.hartwick@opg.com)'
<ken.hartwick@opg.com>;
'Kim Marshall
(Kim.Marshall@ieso.ca)'
<Kim.Marshall@ieso.ca>;
Scott Thompson
(CAB)
<Scott.Thompson@ontario.ca>;
Helen Angus
(MOHLTC)
<Helen.Angus@ontario.ca>;
Steven Davidson
(MTCS)
<Steven.Davidson@ontario.ca>;
'CROZZOLI Carlo
-
CBUSDEV&STRT'
<carlo.crozzoli@opg.com>;
Gadi Mayman
<Gadi.Mayman@ofina.on.ca>;
'LEE John -
TREASURY'
<john.s.lee@opg.com>;
Karen Hughes
(MGS)

<Karen.Hughes@ontario.ca>;
Veinot, Cindy
(TBS)
<Cindy.Veinot@ontario.ca>;
Michael Boll
<Michael.Boll@ieso.ca>

Cc: Serge
Imbrogno
(ENERGY)
<Serge.Imbrogno@ontario.ca>;
Andrew
Teliszewsky
(ENERGY)
<Andrew.Teliszewsky@ontario.ca>;
Matt Whittington
(ENERGY)
<Matt.Whittington@ontario.ca>;
Baker, Carys
(ENERGY)
<Carys.Baker@ontario.ca>;
Kyle MacIntyre
(MOF)
<Kyle.MacIntyre@ontario.ca>;
David McLean
(MOF)
<David.McLean@ontario.ca>;
Robert Foster
(MOF)
<Robert.Foster@ontario.ca>;
'jordan.penic@ieso.ca'
<jordan.penic@ieso.ca>;
'Turnevicius,
Lorraine'
<lorraine.turnevicius@ieso.ca>;
'catriona.king@opg.com'
<catriona.king@opg.com>;
Francesca
Bungaro-Yemec
(ENERGY)
<Francesca.Bungaro-
Yemec@ontario.ca>;
Feather, Adam
(ENERGY)
<SOM.Adam.Feather@ontario.ca>;
Hilary Cox (ENE)
<Hilary.Cox@ontario.ca>;
Edwards, Matthew
(ENERGY)
<Matthew.Edwards@ontario.ca>;

Patrick Laughton
(MOF)
<Patrick.Laughton@ontario.ca>;
David Barrett
<david.barrett@ieso.ca>;
Keley Katona
(ENERGY)
<Keley.Katona@ontario.ca>;
HAHN PARKER
Janet -TREASURY
<j.hahnparker@opg.com>

Subject: Rate
Mitigation
Implementation
Meeting -
November 1, 2017

Hi everyone,

Please find attached
the material for
discussion
tomorrow.

Thanks,
Martin

From: John Kim
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Tuesday, October 31, 2017 5:55:05 PM

Hi Ron,

Nothing back on the IGB deck....on a related note, I am wondering if you can get the letter agreement signed fully by everyone at the meeting.

John

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From: Ronald Kwan
Sent: Tuesday, October 31, 2017 5:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

Please review.

On a related issue, any comments back on the IGB slide deck?

Ron

-----Original Message-----
From: Gadi Mayman
Sent: October-31-17 15:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017

-----Original Message-----
From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
Sent: Tuesday, October 31, 2017 3:52 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
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<Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

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From: John Kim
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Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 9:03:47 AM

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From: John Kim
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To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

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<Keley.Katona@ontario.ca>;
HAHN PARKER
Janet -TREASURY
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Subject: Rate
Mitigation
Implementation
Meeting -
November 1, 2017

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> **Sent:** Wednesday, November 01, 2017 8:32 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** Re: Rate Mitigation Implementation Meeting - November 1, 2017
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John

From: Ronald Kwan
Sent: Wednesday, November 01, 2017 8:17 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

Where is the equity injection documentation status?

Ron

On Oct 31, 2017, at 5:55 PM, John Kim <John.Kim@ofina.on.ca> wrote:

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Sent: Tuesday,
October 31, 2017
5:52 PM
To: John Kim
<John.Kim@ofina.on.ca>

Subject: FW: Rate
Mitigation
Implementation
Meeting -
November 1, 2017

Hi John,

Please review.

On a related issue,
any comments back
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Ron

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From: Gadi
Mayman
Sent: October-31-
17 15:54
To: Ronald Kwan
<Ronald.Kwan@ofina.on.ca>;
Ken Kandeepan
<Ken.Kandeepan@ofina.on.ca>

Cc: Anna Strathy
<Anna.Strathy@ofina.on.ca>;
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Subject: FW: Rate
Mitigation
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From: Schlaepfer,

Martin (ENERGY)
[mailto:Martin.Schlaepfer@ontario.ca]

Sent: Tuesday,
October 31, 2017
3:52 PM
To: Steen Hume
(CAB)
<Steen.Hume@ontario.ca>;
Kaili Sermat-
Harding
(ENERGY)
<Kaili.Sermat-
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Carolyn Calwell
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<Carolyn.Calwell@ontario.ca>;
Scott Nelms
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<Scott.Nelms@ontario.ca>;
"jeffrey.lyash@opg.com'
(jeffrey.lyash@opg.com)'
<jeffrey.lyash@opg.com>;
'HARTWICK Ken
-FINANCE
(ken.hartwick@opg.com)'
<ken.hartwick@opg.com>;
'Kim Marshall
(Kim.Marshall@ieso.ca)'
<Kim.Marshall@ieso.ca>;
Scott Thompson
(CAB)
<Scott.Thompson@ontario.ca>;
Helen Angus
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Steven Davidson
(MTCS)
<Steven.Davidson@ontario.ca>;
'CROZZOLI Carlo
-
CBUSDEV&STRT'
<carlo.crozzoli@opg.com>;
Gadi Mayman
<Gadi.Mayman@ofina.on.ca>;
'LEE John -
TREASURY'
<john.s.lee@opg.com>;
Karen Hughes
(MGS)

<Karen.Hughes@ontario.ca>;
Veinot, Cindy
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Michael Boll
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Cc: Serge
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Robert Foster
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'jordan.penic@ieso.ca'
<jordan.penic@ieso.ca>;
'Turnevicius,
Lorraine'
<lorraine.turnevicius@ieso.ca>;
'catriona.king@opg.com'
<catriona.king@opg.com>;
Francesca
Bungaro-Yemec
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<Francesca.Bungaro-
Yemec@ontario.ca>;
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<Keley.Katona@ontario.ca>;
HAHN PARKER
Janet -TREASURY
<j.hahnparker@opg.com>

Subject: Rate
Mitigation
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Meeting -
November 1, 2017

Hi everyone,

Please find attached
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tomorrow.

Thanks,
Martin

From: John Kim
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 8:57:32 AM

Great, I will see you then. My advice is to initiate on our end.

From: Ronald Kwan
Sent: Wednesday, November 01, 2017 8:57 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

Likely mid-morning, unless more comes up at Frost.

Ron

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2017 3:52 PM
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Subject: Rate Mitigation
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November 1, 2017

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To:	Ronald Kwan
Subject:	RE: Rate Mitigation Implementation Meeting - November 1, 2017
Date:	Wednesday, November 01, 2017 8:54:37 AM

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Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <SOM.Adam.Feather@ontario.ca>; Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Patrick Laughton (MOF) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

From: John Kim
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 8:49:58 AM

Hi Ron,

Is it being requested by IESO…..as we have been talking hardcopy with Anthony and Victor. I would need your signed version to do the electronic sign-off but not sure if that's the desired path. I generally tend to go with actual signature.

John

From: Ronald Kwan
Sent: Wednesday, November 01, 2017 8:48 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

BTW, Kim did not attend the meeting in person. As the letter can be signed in counterparts, can we send her a PDF copy for her to sign back two right now?

Thanks,
Ron

On Nov 1, 2017, at 8:42 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> We are not even close to the conclusion of the negotiation. A couple of months ago we had seen a version that Ken R. was not prepared to recommend and we are just picking up again. I sent them a version that we last could live with. To open up the negotiation.
>
> Thanks,
>
> John
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Wednesday, November 01, 2017 8:32 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** Re: Rate Mitigation Implementation Meeting - November 1, 2017
>
> Thanks John.
>
> Is there a BN being prepared and approval package in general?

Ron

On Nov 1, 2017, at 8:18 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> Just a couple of days ago, we sent back a version of the latest draft to Shruti who is now working on it. This was after a long pause.
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> **Sent:** Wednesday, November 01, 2017 8:17 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** Re: Rate Mitigation Implementation Meeting - November 1, 2017
>
> Hi John,
>
> Where is the equity injection documentation status?
>
> Ron
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> On Oct 31, 2017, at 5:55 PM, John Kim <John.Kim@ofina.on.ca> wrote:
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> > Nothing back on the IGB deck....on a related note, I am wondering if you can get the letter agreement signed fully by everyone at the meeting.
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> > Sent: Tuesday, October 31, 2017 5:52 PM
> > To: John Kim <John.Kim@ofina.on.ca>
> > Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017
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Please review.

On a related issue, any comments back on the IGB slide deck?

Ron

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From: Gadi Mayman
Sent: October-31-17 15:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017

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Sent: Tuesday, October 31, 2017 3:52 PM
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Thanks,
Martin

From: John Kim
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 8:18:37 AM

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Subject: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

From: Ken Kandeepan
To: Gadi Mayman; Ronald Kwan
Cc: Anna Strathy
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 9:39:52 PM

Thanks Gadi, one comment:

o Provincial Protection and Assurances Agreement (OFA / OPG)

- OFA working with OPG, MOF, ENERGY, Blakes and Tories to finalize agreement by the end of the week

It will not be finalized by the end of the week, rather a draft will be provided to OPG and its counsel, finalization defined as all parties agreeing on the terms and conditions of the Protection Agreement and the Procedures Agreement is anticipated for the end of next week.

Thanks

Ken k

From: Gadi Mayman
Sent: Wednesday, November 01, 2017 9:26 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - November 1, 2017

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** November 1, 2017 at 7:59:52 PM EDT
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
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Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: October 31, 2017 3:52 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
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Thanks,
Martin

From:	Young, Gwendolynne (MOF)
To:	Scott Nelms (ENERGY)
Cc:	Ronald Kwan; Nancy Kennedy (MOHLTC)
Subject:	RE: Rate Mitigation Implementation
Date:	Tuesday, May 23, 2017 9:27:00 AM

Hi Scott,

Who was the discussion with on Thursday? The 'ministry' referenced below, is that ENERGY?

Gwen Young

p: 416.325.0741 | bb: 647.982.2419

From: Nelms, Scott (MOF)
Sent: May 23, 2017 9:23 AM
To: Young, Gwendolynne (MOF)
Cc: Kwan, Ronald (OFA); Kennedy, Nancy (MOF)
Subject: Rate Mitigation Implementation

Good morning,

Please see the following summary of Thursday's Fair Hydro plan discussion:

GA Refinancing

- Ministry working on motions which need to be filled on Thursday. Draft motions to be shared early next week.
- Ministry also working on regulations for mid and end of June timelines
- OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July
    - Documents will include commentary on credit worthiness
    - Potential engagement of Moody's/S&P/DBRS
- Agencies (OPG/IESO/OEB) to provide critical paths for the next meeting
- OPG to go to market in Sept/Oct
- IESO letter went to OFA to request $2.5B total credit
- IESO expecting purchase and sale agreement by end of June
- IESO memo and KPMG accounting opinion has been delivered to Ministry
- OPG memo and E&Y accounting opinion has been delivered to Ministry
- IESO is producing a document to respond to AG questions – to be shared with TBS for review
    - IESO to offer FAO separate meeting with KPMG
    - FAO report to be provided to MO on Tuesday and be released on Wednesday
- OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge
- Indemnities for Boards are tracking forward to be in place when legislation comes into force
- Guarantees for dealers are still being explored and to be done in conjunction with rating process
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RRRP, OESP and FN:

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- Ministry working with 5 Chiefs to determine the qualification of FN rebate based on existing processes
- Ministry working to minimize number of individuals who qualify for credits but don't receive them on July 1
- OEB RPP calculation needs to be completed 15 business days from Royal Assent

From:	Ronald Kwan
To:	Ken Kandeepan
Cc:	Gadi Mayman; Christina Zhang
Subject:	RE: Rate Mitigation Implementation
Date:	Thursday, March 16, 2017 5:09:56 PM

Hi Ken,

There is a working group stream on the equity injection, and that was raised last week in the organising call (and maybe this week too at the actual working group meeting – CEFD and CMD are represented), but Energy is perhaps sometimes a little slow in updating materials.

Ron

From: Ken Kandeepan
Sent: March-16-17 17:01
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation

Thanks. The first item in the matrix deals with the GA Smoothing and one of the bullets under the Key Deliverables/Considerations states: "OEFC to OPG equity injection structure"

OPG's shareholder is the Province not OEFC, as such any equity injection should flow from the former, unless there is a component of the model which I have not seen so far, that requires the OEFC to own a % of OPG.

In the Summary of Legislative Changes, I don't see a specific provision for the guarantee unless the penultimate bullet under #4 "Legislative Provisions to Address Market Considerations" implicitly refers to it in the phrase "surrogate for irrevocability".

I guess the reasoning is the stream of payments to the bondholders is dependent on owning the asset and if that ownership is jeopardized there needs to be a fall back mechanism.

We await your feedback from the meetings with great interest☺

Ken k

From: Gadi Mayman
Sent: Thursday, March 16, 2017 4:42 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation

FYI

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Thursday, March 16, 2017 2:33 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Rate Mitigation Implementation

Hi Gadi,
Per your discussion with the Deputy, we'll be adding you to our weekly rate mitigation implementation meetings. Attached, for reference, is the material from this week's meeting.
Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

From:	Ken Kandeepan
To:	Gadi Mayman
Cc:	Christina Zhang; Ronald Kwan
Subject:	RE: Rate Mitigation Implementation
Date:	Thursday, March 16, 2017 5:01:26 PM

Thanks. The first item in the matrix deals with the GA Smoothing and one of the bullets under the Key Deliverables/Considerations states: "OEFC to OPG equity injection structure"

OPG's shareholder is the Province not OEFC, as such any equity injection should flow from the former, unless there is a component of the model which I have not seen so far, that requires the OEFC to own a % of OPG.

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4th Floor, Hearst Block, 900 Bay Street

From: Ronald Kwan
To: Gadi Mayman
Subject: RE: Rate Mitigation Implementation
Date: Thursday, March 16, 2017 4:57:38 PM

Thanks Gadi.

I can`t recall if I had noted to you earlier that TPD had been contacted on point 8. I noted to Sriram and Energy that the point was general, and not necessarily tax-specific options and, therefore, it would be good to have staff from here attend too on rate mitigation options. I have yet to see a meeting notice on that. Not sure if you would have heard anything on that.

Ron

From: Gadi Mayman
Sent: March-16-17 16:42
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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4th Floor, Hearst Block, 900 Bay Street

From:	Ronald Kwan
To:	John Kim; Emily Kerr
Cc:	Gavin He
Subject:	RE: Rate Mitigation Implementation
Date:	Thursday, March 16, 2017 4:54:07 PM

Point 4.3, that is.

From: Ronald Kwan
Sent: March-16-17 16:53
To: John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation

Hi John, Emily,

FYI on the attached.

Emily, note point 8 in the legislative issues document:

- restrictions on consumer group's ability to "opt-out" or by-pass the charge (to avoid de-valuing the asset)

Likely not quite on point, but in the ballpark perhaps. Not quite sure what they mean by ''group'' in this context.

Ron

From: Gadi Mayman
Sent: March-16-17 16:42
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
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4th Floor, Hearst Block, 900 Bay Street

From: Gavin He
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation
Date: Thursday, March 16, 2017 4:45:16 PM

Hi Ron,

Should I circulate the materials for EFB and SPFB for review and comment?

Thanks,
Gavin He

From: Gadi Mayman
Sent: Thursday, March 16, 2017 4:43 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation

I just typed Ga and then hit send, so I guess it went to me instead of you!

From: Gadi Mayman
Sent: Thursday, March 16, 2017 4:42 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
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E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

From: Ronald Kwan
To: Scott Nelms (ENERGY)
Subject: RE: Rate Mitigation Implementation
Date: Friday, March 10, 2017 10:35:37 AM

I'd say some of mine were that long too, if you recall what those meetings covered. Because of the length, I found working in Word more convenient.

Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: March-10-17 10:34
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation

Thanks Ron. It's a bit long, but I was hoping it would be helpful.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Ronald Kwan
Sent: Friday, March 10, 2017 10:32 AM
To: Nelms, Scott (MOF)
Subject: RE: Rate Mitigation Implementation

Hi Scott,

Thanks. I used to send weekly updates too, back in the IPO implementation days.

Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: March-10-17 08:35
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation

Good Morning,

Please see the following update and attached materials relating to Energy's kick off Fair Hydro Plan implementation discussion.

Scott

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, March 9, 2017 5:23 PM
To: McLean, David (MOF)
Cc: Kennedy, Nancy (MOF); Young, Gwendolynne (MOF)
Subject: RE: Rate Mitigation Implementation

Hi David,

I thought I would share a high level summary of this morning's discussion.

The meeting started with a conversation around structures and how Energy plans to move all of the elements of the Fair Hydro Plan forward. In essence, these Thursday meetings will become a regular occurrence (next week is scheduled for Wednesday). This will act as a feeder for issue specific working groups in order to have a single window for reporting in on progress and issues that require resolution. See attached "OFHP Gov and Delivery Structure" for details. There will also be regular DM level updates to keep respective Ministries apprised of progress.

GA Smoothing (Blakes Update)

Blakes, who has been engaged by the Ministry of Energy, provided an overview of the Long Island Power Authority securitization structure that has been referenced several times as a model (albeit smaller) for the GA Smoothing mechanism. Here are some high level details:

o Nuclear facility mothballed and facility costs needed to be repaid over time
o In part as a result of this large liability, LIPA's credit rating was weak increasing borrowing costs
o Created framework in legislation, allowed for a financing order every time the separate entity went out for financing (abbreviated hearing to review merits of case)
o Role of Financial Regulator (closer to OSC than OEB):
· Public Authority Control Board
· Abbreviated hearing
· Form over substance, to ensure calculations are correct
· Regulator needed to be sure that issuance designed to receive lower cost borrowing + meet objectives of the legislation
· If stakeholders want to challenge the validity of order, had 30 days to do so and then foreclosed, after 30 days bonds could be issued
o Asset:
· Order and charges irrevocable: right that could not be changed
· True-up mechanism: ability to adjust collections from end users to ensure cover principle and interest
· Ensure consumers cannot bypass system (pay as long as connected to the grid, whether consuming or not)
· Charge not more than 10% of bill
· Set up as a "true sale" - rights around asset protected
o Unique features (would not apply in Canada):
· State pledge: state would not introduce legislation or do anything to affect rights of assets or bondholders
§ Creates a constitutional right, if reversed is a "taking of the government" which results in a particular process
· Bankruptcy: bondholders can make an application to court to direct payment to bondholders
· While these elements cannot be replicated in the same way in Canada, Blakes suggests it will be important to enable similar protections under the Canadian legal framework to the extent possible

Blakes also walked through key elements that the market and rating agencies will seek in order to ensure this is financeable (according to Blakes there will be an expectation that mitigation measures will be in place for each):
· Size and breadth of customer base
· Non-bypassability
· Volatility of policy environment
· For more details, Blakes suggests reading the attached Moody's guide

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OPG walked through the attached summary workplan providing an update on key buckets of work including that included a number of touch points with the OFA and MoF focused on process for borrowing and equity infusion both at inception and ongoing approvals. Note that OPG is conceiving of each incremental debt issuance as an amendment to the borrowing agreement rather than as individual tranches in order to avoid differentiation between bondholder priority thereby minimizing long term interest costs. Note that working groups are beginning to meet to think in more detail to think through these issues.

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· IESO is also working with OPCD and KPMG to finalize its revised financials to incorporate its market books. IESO will file its audited financial statement with the AG in May. Further thought is needed on timing and level of engagement with the AG's office.

· On a related note, the AG has reached out through OPCD for an initial briefing on the Fair Hydro Plan.

GA Smoothing (Legislative Drafting Update)

· Energy legal expects to have first drafts to share shortly for input

· Targeting mid-April for approvals

GA Smoothing (General)

· OEB was also included in the discussion and continues to have concerns about its role in the process. Further consideration is required in the context of accounting and financing imperatives

Other Updates

· Work on the RRRP, OESP and First Nations rate is progressing in parallel. There was some talk of inclusion of these elements in the Budget Bill, but no certainty on whether that would be possible from a timing perspective.

· The Affordability Fund is moving on a more expedited path. A first draft of the TPA has been shared with Hydro One for review. Hydro One is working to establish the Trust.

Thanks,
Scott

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Ronald Kwan
To: Scott Nelms (ENERGY)
Subject: RE: Rate Mitigation Implementation
Date: Friday, March 10, 2017 10:32:20 AM

Hi Scott,

Thanks. I used to send weekly updates too, back in the IPO implementation days.

Ron

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From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: March-10-17 08:35
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
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Thanks,
Scott

From: Nelms, Scott (MOF)
To: Gwendolynne Young (ENE)
Cc: Ronald Kwan; Nancy Kennedy (MOHLTC)
Subject: RE: Rate Mitigation Implementation
Date: Tuesday, May 23, 2017 9:28:22 AM

Yes, in this case "Ministry" is Energy.

Discussion is with ENE, TBS, MoF, IESO, OEB, OPG. These are weeklies to discuss implementation of the Fair Hydro Plan that have been ongoing since March.

From: Young, Gwendolynne (MOF)
Sent: May 23, 2017 9:26 AM
To: Nelms, Scott (MOF)
Cc: Kwan, Ronald (OFA); Kennedy, Nancy (MOF)
Subject: RE: Rate Mitigation Implementation

Hi Scott,
Who was the discussion with on Thursday? The 'ministry' referenced below, is that ENERGY?

Gwen Young
p: 416.325.0741 | bb: 647.982.2419

From: Nelms, Scott (MOF)
Sent: May 23, 2017 9:23 AM
To: Young, Gwendolynne (MOF)
Cc: Kwan, Ronald (OFA); Kennedy, Nancy (MOF)
Subject: Rate Mitigation Implementation

Good morning,

Please see the following summary of Thursday's Fair Hydro plan discussion:

GA Refinancing

- Ministry working on motions which need to be filled on Thursday. Draft motions to be shared early next week.
- Ministry also working on regulations for mid and end of June timelines
- OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July
    - Documents will include commentary on credit worthiness
    - Potential engagement of Moody's/S&P/DBRS
- Agencies (OPG/IESO/OEB) to provide critical paths for the next meeting
- OPG to go to market in Sept/Oct
- IESO letter went to OFA to request $2.5B total credit
- IESO expecting purchase and sale agreement by end of June
- IESO memo and KPMG accounting opinion has been delivered to Ministry
- OPG memo and E&Y accounting opinion has been delivered to Ministry
- IESO is producing a document to respond to AG questions – to be shared with TBS for review
    - IESO to offer FAO separate meeting with KPMG

    - FAO report to be provided to MO on Tuesday and be released on Wednesday
- OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge
- Indemnities for Boards are tracking forward to be in place when legislation comes into force
- Guarantees for dealers are still being explored and to be done in conjunction with rating process
    - Time is required to appropriately brief decision makers
    - OPG to provide draft version of Term Sheet to Ministry of Energy

RRRP, OESP and FN:

- Ministry working on regulation details
- OESP regulations will be the focus of the post-July 1 work stream
- Ministry working with 5 Chiefs to determine the qualification of FN rebate based on existing processes
- Ministry working to minimize number of individuals who qualify for credits but don't receive them on July 1
- OEB RPP calculation needs to be completed 15 business days from Royal Assent

From: Gadi Mayman
To: Ronald Kwan
Cc: Usman Zahid; Anna Strathy
Subject: RE: Rate Mitigation meeting
Date: Monday, October 30, 2017 10:17:49 AM

Perfect, thanks.

Gadi

From: Ronald Kwan
Sent: Monday, October 30, 2017 10:17 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Rate Mitigation meeting

Hi Gadi,

I can go.

Ron

From: Gadi Mayman
Sent: October-30-17 10:16
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Rate Mitigation meeting

Hi Ron, I just forwarded the new meeting invite, as they've changed this week's Thursday meeting to Wednesday at 8 am. I can't make Wednesday morning, so I hope that you'll be able to make it. If you can't, I'll ask Ken if he can.

Thanks,
Gadi

From:	Schlaepfer, Martin (ENERGY)
To:	Steen Hume (CAB); Carolyn Calwell (MCSS); "jeffrey.lyash@opg.com"; HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Kim Marshall (Kim.Marshall@ieso.ca); Kaili Sermat-Harding (ENERGY); "peter.gregg@ieso.ca"; Veinot, Cindy (TBS); Karen Hughes (MGS); Helen Angus (MOHLTC); Scott Thompson (CAB); Steven Davidson (MTCS); "CROZZOLI Carlo -CBUSDEV&STRT"; Gadi Mayman; Ronald Kwan; Tim Christie (ENERGY); "LEE John -TREASURY"; "Michael Boll"; Murray, Maud (ENERGY/MEDG/MRIS/MOI); Thouin, Alena (ENERGY); "Dianne Hayes"; ROWE Jennifer -CORPAFFAIRS
Cc:	Serge Imbrogno (ENERGY); Matt Whittington (ENERGY); Tresise, Landon (ENERGY); Berry, James (ENERGY); Baker, Carys (ENERGY); David McLean (MOF); Vivienne Skoberne (MOHLTC); Robert Foster (MOF); Edwards, Matthew (ENERGY); Manoharan, Kesayini (MEDG/MRIS); Yordi, Samer (ENERGY); Hilary Cox (ENE); Hillary Armstrong (ENERGY); Patrick Laughton (MOF); catriona.king@opg.com; Jordan Penic; "David Barrett"
Subject:	Rate Mitigation Implementation Group
Date:	Wednesday, January 10, 2018 6:06:56 PM
Attachments:	OFHP Matrix and Outstanding Business Issues - Jan 11_Clean.docx Technical Briefing Ontario Fair Hydro Plan Global Adjustment Jan 10 (002....pptx Agenda_Weekly Rate Mitig Implmentation Group_Jan 8.docx

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Hi everyone,

Attached are the materials for tomorrow's meeting.

Thanks,
Martin

Implementation of Ontario's Fair Hydro Plan
Week of January 11, 2018

Global Adjustment (GA) Refinancing – Business Issues / Implementation

Issue	Overview	Supporting Documentation	Timing / Next Steps
OPG's Financing Plan / Market Activity	• OPG, as Financial Services Manager (FSM), to provide a Financing Plan in accordance with legislation, to evaluate the incurrence of funding obligations consistent with the FAA	• Minister's FAA letter to OPG • Financing Plan • Transaction Documents	• On December 21, 2017: OPG purchased the regulatory asset via the warehouse facility **Timing / Next Steps:** • Finalize Transaction Documents in January • January 22 (TBC): OPG to proceed with initial issuance of term debt
Equity Injection	• Province to purchase shares of OPG on a monthly basis	• Master Subscription Agreement – Complete • MOU between OFA and Energy – Complete • First Share Subscription Form-Complete • Amendment to Articles Signed – Complete	**Timing / Next Steps:** • Next asset transfer/equity injection expected to take place in March 2018. Note: First equity injection closed on December 20

Ontario's Fair Hydro Plan – Implementation Matrix of Other Items

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	Recent Action Items • All LDCs have indicated they have implemented the program • IESO has begun to submit reimbursement claims to the Ministry	• Discussions have begun with OEB over content of cost forecast report, as contemplated in Regulation
2) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	Recent Action Items • MCSS has begun work to enroll social assistance (SA) clients to OESP, and is directly contacting these clients by phone and letters. The temporary call center is operational and OESP posters and brochures are being distributed to SA offices. • OEB and MCSS and working together on aligning software systems to electronically automate enrollment of SA clients into OESP. Targeting summer 2018 for completion. • Work is underway to implement a solution to the requirement for wet signatures, and is expected for Q1 2018. • Ministry is targeting a January 23 LRC date to proclaim OEBA amendments to shift the OESP to the tax base. The current OESP regulation is OESP variance account is expected to deplete in February 2018, and mechanisms to compensate program delivery partners through the tax base needs to be in place for that date. • OESP administration will remain with the OEB until such time that the Ministry has adequate resources to assume responsibility for the program.	• LRC on January 23 for proclaiming OEBA provisions and replacement OESP regulation

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	<u>Recent Action Items</u> • All LDCs have indicated they have implemented the program. • FNDC post card has been distributed to First Nations Band Councils • IESO has begun submitting claims for reimbursement to the Ministry	• Receiving regular updates from H1 on enrollment
4) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	<u>Recent Action Items</u> • October 12 – Soft launch of microsite and 1-800 number • October 24 – Formal announcement in Hamilton involving the Minister of Energy • On October 24 – Trustees held a webinar with 200 participants to overview program design, walk-through the web site, and answer distributor questions • November 2017 – Affordability Fund Trust (AFT) entered into a Memorandum of Understanding with Ontario 211 services to support community engagement related activities (e.g. call referrals, consultations) • As of December 14 – 1,448 applications sent to Hydro One or the over 40 active/pending participating distributors • December 18 – AFT and IESO meeting with ENERGY to discuss changes to HAP income-eligibility requirements and effect on Affordability Fund eligible population. • Next Trustee meetings scheduled for January 11, 2018 • The AFT expects to enter into agreements with interested electricity distributors starting January 2018 (Hydro One will deliver the program in service areas of those distributors who do not apply) • ENERGY has shared draft TPA amendments with the AFT to require use of the Ontario logo in Fund marketing and communications, and is waiting for the Trustees to sign	**Early 2018:** • February 2018: Report back to TB/MBC through the PRRT process with final program details and a performance management framework including outcome measures and targets. • The Fund will have an iterative design process to support continuous improvement, and will revisit design elements every 6 months and measures every 3 months • ENERGY can apply for additional funds through an in-year TB submission based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Bill Presentment (SNAP/LSB)		
• ENERGY	Recent Action Items • Ongoing Ministry work re bill presentment	• 2017-2018 – Bill redesign
6) Expanding ICI (ESP/COMs)		
• ENERGY, LSB, IESO and LDCs	Recent Action Items • Ongoing OCC outreach campaign to promote ICI. Ministry finalizing OCC's expansion proposal • Ministry finalizing CME proposal	• Quarterly Report Backs re ICI to TBS / MBC
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	Recent Actions Items • Work with agencies ongoing	• Continue this work as part of 2017 LTEP implementation

Technical Briefing – Financing Update For Ontario's Fair Hydro Plan

February 2017

DRAFT

Ontario's Fair Hydro Plan – Context

- Ontario's Fair Hydro Plan (OFHP) was introduced to provide rate relief to residential consumers, farms, most small businesses, long-term care homes and condominiums.

- OFHP is comprised of a series of initiatives, including the refinancing of a portion of Global Adjustment (GA.

- Refinancing the GA, which pays for the bulk of the recent investments in the electricity system, provides rate relief by matching the cost of electricity investments with the expected useful life of the generation that has been built.

DRAFT

Ontario's Fair Hydro Plan – Context (cont'd)

- Since the March 2, 2017 OFHP announcement, a number of key milestones have been reached in the implementation of OFHP, including:
  - May 1, 2017: Partial Global Adjustment (GA) refinancing incorporated into the OEB's Regulated Price Plan (RPP) report;
  - June 1, 2017: The Fair Hydro Act, 2017 (FHA) received Royal Assent;
  - June 15, 2017: Regulations to enable new and enhanced electricity social programs and shift associated program cost from the rate-base to tax-base came into effect; and
  - July 1, 2017: The full 25% reduction of electricity bill came into effect on July 1, 2017, including the 8% HST rebate.

- OPG has been working with the government, the Independent Electricity System Operator (IESO), the Ontario Energy Board (OEB) and legal, financial and energy sector third-party experts on the implementation of OFHP.

DRAFT

Role of Ontario Power Generation (OPG)

- The OHFP identified OPG as the Financial Services Manager (FSM) assigned to develop the financing plans and manage the Fair Hydro Trust, which manages the debt obligations associated with GA refinancing.

- OPG has extensive experience in the Ontario energy market, capital markets, regulation and fund management and will ensure that the refinancing will be done in the most efficient and cost-effective manner.

  - In addition to executing hundreds of millions in project financing over the past several years, OPG completed its first bond offering in the Canadian public market with $500 million unsecured 10-year bonds in October 2017.

  - OPG currently manages approximately $20 billion in nuclear funds through the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, and $15 billion in pension funds.

  - OPG has developed solid investor relationships and has a large investor base in the structured finance space for financing Ontario's Fair Hydro Plan (OFHP) initiative.

DRAFT

OPG's Fair Hydro Trust

- On November 22, 2017, OPG's Board of Directors approved OPG's plan for participation in OFHP and to act as the FSM.
    - The OPG's Fair Hydro Trust was established on Dec 20, 2017

- Rating agencies have assigned ratings of:
    - Senior Debt: xxx Moody's, yyy DBRS;
    - Subordinated Debt: xxx Moody's yyy DBRS; and [NTD: do we need to include for sub debt?]
    - Junior Subordinated Debt: xxx Moody's yyy DBRS [NTD: do we need to include for sub debt?].

DRAFT

OPG's Fair Hydro Trust – Financing to Date

- By mid-December, $1.2 billion in GA payments have been deferred under OFHP and held by IESO.
- OPG's Fair Hydro Trust purchased this asset in December 2017, and the purchase was financed as follows:
  - Borrowing by the Trust through a bank syndicate in December, which was refinanced in February by senior debt from capital markets [$610 million] (51%);
  - Equity injection by the Province [$530 million] (44%) invested as subordinated debt in the Trust; and
  - OPG subordinated debt in the Trust [$60 million] (5%) already raised through the initial borrowing.
- [NTD: Placeholder about success/level of interest in the offering]
- For comparison purposes, OPG's debt financing in October 2017 was priced at 3.32%

DRAFT

Debt Offering Summary

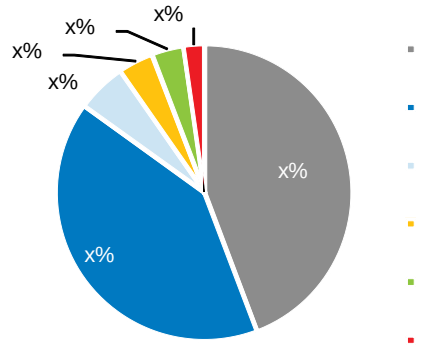
[NTD: Do we need this slide or is it just too detailed]

TERMS SUMMARY

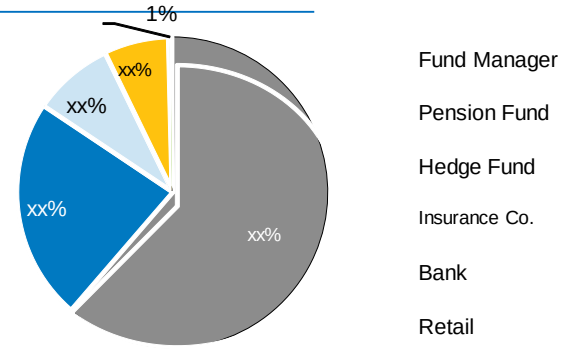
Issuer	Fair Hydro Trust .
Pricing Date	xx-Feb-18
Settlement Date	xx-Feb-18
Ratings (DBRS/Moodys)	xxx
Amount	$xxx million
Coupon	x.xx%
Coupon Dates	xxx and xxx
Maturity Date	x-xxx-xx
Spread vs. Benchmark	+xx bps (credit: +xx bps, curve: +xx bps)
GoC Curve	GoC x.xx% due xx, xxxx GoC x.xx% due xx, xxxx
GoC Benchmark	GoC x.xx% due xx, xxxx
Benchmark Price/ Yield	$xx.xx / x.xx%
Price	$xxxx
Yield	x.xxx%
Syndicate	xxxx

1. Co-Lead Agent & Bookrunner.

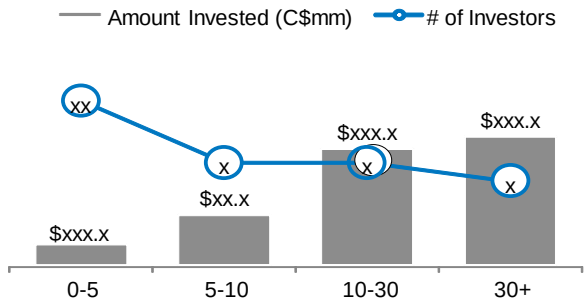
INVESTOR LOCATION



INVESTOR TYPE



ALLOCATION HISTOGRAM(1)



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OPG's Fair Hydro Trust – Financing Moving Forward

- In subsequent months it is expected that OPG's Fair Hydro Trust will purchase subsequent assets from IESO (i.e., approximately $200 million per month) and raise any required financing
- A second round of borrowing will take place in [Q2 – 2018] to provide the long term financing for the Trust
- The Trust will continue to borrow funds through the debt markets a few times each year to purchase assets from the IESO

DRAFT

Reporting Requirements

- Due to OPG's ownership and control over the key activities of the OPG's Fair Hydro Trust, OPG will consolidate the financial results of the Trust in accordance with US GAAP.
- OPG will report the financial results of the Trust's operations as part of its regular quarterly and annual reporting process
- The Trust's activities will be reported as a separate segment in OPG's overall results
- The Trust's financial results will also be reported directly to the Province as OPG's shareholder.

Questions?

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
January 11, 2017

Agenda

1) GA Refinancing
    - General Business Update (OPG / IESO / ENERGY)
    - OPG's Market Activities – Rollout (All)

2) Public Accounts (All)

3) Other OFHP Initiatives
    - RRRP, OESP and FN (SNAP)
    - Affordability Fund (CRED)

Notes:

From: Nelms, Scott (MOF)
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: Rate Mitigation Implementation Meeting - April 13, 2017
Date: Thursday, April 13, 2017 5:27:30 PM
Attachments: Consolidated - OFHP Matrix - Week of April 10.docx
Agenda_Weekly Rate Mitig Implmentation Group_Mar 13.docx
Letter from Province to OPG.DOCX

Hi Dave,

Please see the following summary of today's OFHP discussion (Gadi note that there are a few references to OFA – that's what happens when you leave the room early):

GA Refinancing:

- Past week has involved several "all day, all hands" meetings to come to ground on legislative instructions
  - Included IESO, OPG, OEB, ENE, TB, MoF, Torys, Oslers, Blakes, Stikeman, Goldman, RBC, CIBC, TD
  - Now moving into drafting of legislation itself and anticipate several turns over the weekend
- This week's theme: who does what
  - OPG SPV: remains consistent, setting out and executing on a financing plan to purchase the regulatory asset from IESO
  - IESO: establishes the asset, sells it and acts as collection agent (not principle)
  - LDCs: also as collectors, but not at the table so have no voice, cannot impose incremental risk / burden on them, leverage existing structures
  - Ratepayers: final responsibility for repayment and there needs to be a direct link (normal course will be through IESO and LDCs but OPG SPV will need look through capabilities if necessary)
    - Cannot depend on intermediaries because that would result in degradation of credit ratings (would intermingle with ratings of intermediaries)
    - OEB has concerns around this tie to individual customers as it breaks from current practice
    - However it is required to meet credit requirements and in order to ensure IESO / LDCs do not take on incremental risk
- Provincial guarantees:
  - Focused on a springing guarantee (not a blanket guarantee) in the event of government action and/or unconstitutionality
  - Dealers will need them
  - Planning to park this for now as it is not viewed as a requirement ion legislation
  - Based on Gadi's feedback and the importance of this element, the team will attempt to clarify this point prior to introduction of legislation (consider whether anything is needed in legislation)
- Rationale for AAA rating
  - Need to access broadest possible set of markets for these securities including securitization market which requires AAA

- Also first of a kind transaction in Canada, and very large scale so need to aim for strongest possible rating
- Constitutional Law
  - Legislation is being drafted with the fairness concept at its core (tie to underlying generation assets in concept)
  - Making this defensible, but will need to tie back to cost curve of underlying contracts
    - Work is underway to develop this linkage
- Approvals
  - 9 am May 1 for TB approvals
  - External reports to be available at that meeting
    - E&Y: opinion 1-2 pages, plan to include in May 1 submission (based on facts and assumptions)
    - KPMG: opinion 4-5 pages approx., coordinate to also have for May 1 submission (based on facts and assumptions)
  - OPCD:
    - Would reference accounting opinions in the TB note
    - Still layers of detail on regulation and commercial agreements that will impact, therefore opinions likely to reference facts in legislation and assumptions around what will be in regulation / contracts
  - OFA / OPG / Dealers
    - Will be asked to prepare an assessment of financeability of the structure
- OPG
  - Accounting
    - Several calls + meetings set up for next week to begin to socialize and bring up to speed OPCD, E&Y, KPMG
    - Attempt is to be ready for accounting opinions to be delivered on a common set of facts
  - OPG Letter (earlier draft attached)
    - Comments from Province to be turned today
    - Provides choice to OPG Board to decide to participate based on commercial opportunity
  - OPG Actions:
    - Need a note describing why 49% / 51% split is necessary (need for accounting opinion on day 1 and throughout the program)
    - Need to better understand why OPG / Torys is seeking tax exempt status for the OPG SPV (and what that means)
- IESO
  - Ministry briefed Board earlier this week
  - Fair bit of work required on mechanics once legislation is in place
  - Will need to work with OFA on LoC, including enhancements to deal with adverse situations (if OPG does not purchase the asset)
    - Can affect credit ratings
  - Need to ensure we preserve IESO's ability and right to collect
- OEB
  - Minister's letter has been delivered to OEB in support of OEB rates

- Comfort letter forming the basis of discussions of the RPP panel
- April 20th announcement for May 1 rates

Affordability Fund

- Up and running
- First meeting of the advisors has occurred and they are getting ready to select Trustees

Social Programs

- Leveraging existing structures
- LDC working group next meets on Wednesday
  - Most focus on bill presentment (Province will propose minimal changes at implementation, more fundamental changes in fall, this will reduce anxiety)
- OESP
  - Reg to LRC on April 10th, approved, to be filed and posted
  - Working with MCSS for automatic enrollment (and with OEB);
    - Appear to have a path forward
    - Align with existing social assistance programs + OESP
- FN Rate
  - Meeting with Chiefs of Ontario set up on April 26th
  - Focused on implementation to move forward as quickly as possible to align with July 1 roll out
- RRRP
  - In discussions with OEB on mechanism
  - Continue to monitor rate filings including H Dx application filed last Friday and recently file InnPower application
    - Revise fiscal projections accordingly
  - Need a memo explaining why important to continue with OEB rate application process and not freeze all applications
    - OEB process allows for a fair and responsible mechanism to review rates (sometimes leads to decreases)
    - Need to maintain reliability
    - Increases may have an impact on fiscal plan
- Critical Path
  - Once legislation introduced May 1, quickly move to regulations
  - Late June LRC for July 1 implementation

ICI

- Working on promoting program, in partnership with industry partners
- Need for engagement as there is limited capacity in these organizations

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From: Katona, Keley (ENERGY)
Sent: April 12, 2017 5:33 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com'

(jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John -TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

Implementation of Ontario's Fair Hydro Plan
Week of April 10, 2017

Item	Key Deliverables / Considerations	Timing / Next Steps
1) Refinancing the Global Adjustment (ESP/IGS)		
• ENERGY, LSB, IESO, OPG, OEB, TBS and MOF	• Legislation • Defining mitigation and recovery mechanism • Establishing roles for IESO, OPG and OEB • Regulation (amend O.Reg. 95/05) • Shareholder Resolution (work with OPG to determine form) • Accounting opinions from E&Y (OPG) and KPMG (IESO) • Financing: o How long will IESO hold short term liability (weeks/months); o When and how frequently will OPG purchase the asset from IESO; o OPG trust rating agency review and 3rd party lender market sounding (e.g., cost/term, etc); o OPG to confirm if it is considering more than one SPV/subsidiary; o OPG to explore tax considerations; o OPG to indicate how it would determine interest rate on sub-debt; and o OPG to provide amount/frequency of equity required and indicate trigger • Third Party Technical Report (e.g., long lived assets, associated assessment of social, health and environmental benefits) <u>Recent Action Items</u> **OPG:** • OPG to continue to work with lead banks / rating agencies / OFA on financing issues • OPG to confirm accounting if OFA were to act as lead order on borrowing • OPG to determine who will finance / hold the asset until it goes to	• IESO Board meeting on April 12, 2017 – ESP to present on OFHP • AG briefing on April 19, 2017 (TBD) • Provide comfort letter to allow OEB to include in May 2017 RPP • April 21, 2017, "pens down" on Legislative drafting • Approval dates: o TB/LRC on May 1 2017; and o Cabinet on May 3, 2017 • Legislation introduced May 4, 2017. o Opposition Briefing (TBD) • Summer 2017 implementation (June/July). OPG preference for July 1 to align with quarter-end

Item	Key Deliverables / Considerations	Timing / Next Steps
	the market • OPG to embed OFA/Energy (as necessary) in their ongoing internal discussions • ESPD, IESO and OPG to continue discussions around refining refinancing modelling • OPG /LSB to work through requirements / help draft a shareholder resolution in a form to be determined. OPG to continue to consider requirements for enhanced indemnification for Board member • OPG providing shareholder resolution to OPG Board committee April 7, 2017 and will be provided to Ministry following that **IESO:** • IESO to work through technical aspects with IT (i.e., operationalizing the back-office functions) • IESO to work with KPMG in the development of a formal opinion once first draft of legislation is available • IESO to discuss LDC issues with OEB **OEB:** • OEB to continue to work with ENERGY to finalize draft comfort letter regarding May 1 – Regulated Price Plan (RPP) and OESP • OEB to draft RPP communique to be released publicly by April 20, 2017 **Legislative Drafting:** • LSB / Blakes / OPG / IESO will continue to work through legislative drafting issues • LSB has drafted a letter for the Minister to send to LDCs re: contempt of the Legislature • Working group meetings Monday and Tuesday • ENERGY / Blakes / IESO / OEB / OPG to meet on Monday to work through issues related to legislation • KPMG / E&Y to continue to be informed so that they can eventually confirm we've met all conditions • Blakes / OPG to work through financing issues related to 10% cap	

Item	Key Deliverables / Considerations	Timing / Next Steps
	• Blakes / LSB to work with MAG on a second constitutional law opinion from Peter Hogg • TD engaged through OFA to provide financial advice <u>Considerations</u> • OEB-RPP Filing in May 2017. OEB may also be required to set new GA rate for RPP-eligible consumers. • Ongoing legal, accounting and financing risk assessments. • Impact on Electricity Sector Dedicated Income.	
2) Broadening Rural or Remote Rate Protection (RRRP) (SNAP)		
• ENERGY, LSB and LDCs	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 23rd and March 24th • SNAP to continue to monitor rate hearings for RRRP LDCs • SNAP to collect billing implementation timeline estimates from LDCs • SNAP working with CSD / TBS on allocation for each program (RRRP, OESP, FN Rate and OREC) without executive control on each <u>Considerations</u> • Consideration of revising definitions of RRRP program for broadening to other LDCs and continue to have current structure in place to provide to existing consumers in Algoma and Remotes. May require separation of RRRP and broader distribution rate protection into separate programs. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC on May 1, 2017 (TBD) • Fall 2017 implementation (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
3) Expanding Ontario Electricity Support Program (OESP) (SNAP)		
• ENERGY, LSB, MCSS and OEB	• Legislation • Regulation <u>Recent Action Items</u> • LRC package for OESP enhancements (50% increase, expanded eligibility) approved by LRC and Cabinet. o Implementation on May 1 to align with OEB decision to end OESP charge on May 1, and to finance program through variance account. • SNAP to continue to work through OESP automatic qualification with MCSS / OEB • SNAP to continue to work with, MOF, OEB and CRA on OESP wet signature • SNAP to work with TBS map out how funds will flow from fiscal plan after legislation passes <u>Considerations</u> • Ministry is working with OEB on how the OESP enhancement will be announced as part of a communications exercise. • Positive progress with OEB on implementation: o OEB has been engaged on implementation timelines for 50% + new eligibility – OEB working with LDCs to ensure systems are upgraded to reflect new credit amounts o Ongoing work with MCSS to auto-enroll those receiving / applying to social programs. Work plan for implementation being developed with OEB support. • As part of legislation / regulatory amendment work, investigating steps required to transition from OESP variance (approx. $100 million) to finance the program to financing with tax funds. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF.	• Report back to TB/MBC on May 1, 2017 (TBD) • LRC on April 10, 2016 • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
4) Providing a First Nations On-Reserve Delivery Credit (SNAP)		
• ENERGY and LSB	• Legislation • Regulation (TBD) <u>Recent Action Items</u> • SNAP convened LDC working group on March 24th • SNAP to move forward with including COO in FN rate implementation / work through implementation issues. SNAP working to meet with COO to have preliminary discussion of the FNDC • OEB has not posted FN rate report just yet as conversations are ongoing between Ministry on a letter from the Minister to the OEB acknowledging receipt of the report and outlining the plan for implementation <u>Considerations</u> • On-reserve eligibility considerations require discussion with Chiefs of Ontario • Work with LDCs on implementation details that need to be captured in legislation. • Legislation required to have program funded by taxpayers. • Technical/governance structures needed to flow taxpayer money to programs. Need to work with IESO/OEB/MOF. • Work with LDCs to consider any bill messaging.	• Report back to TB/MBC by Spring 2017 with final program details, including performance management framework, and clarifying how the programs aligns with the significant OEB estimate of program costs, from $13 million to $20 million • Program in place in 2017 (per Cabinet Minute)

Item	Key Deliverables / Considerations	Timing / Next Steps
5) Establishing an Affordability Fund (CRED)		
• ENERGY, IGS, LSB, Blakes, CSD, OPCD, TBS, MOF and H1 (KPMG and Osler)	• TBC/MBC Submission • Declaration of Trust ("Trust Deed") • Transfer Payment Agreement (TPA) • Administrative Services Agreement (H1-Trust) <u>Recent Action Items</u> • March 23 and 24: Trust Deed and TPA executed. • March 30: Funds transferred to Computershare. • April 7, 2017: Briefing for Advisory Committee members <u>Considerations</u> • Legislative changes not required.	**April to May 2017:** • Advisory Committee recommends Board of Trustees by May 31, 2017; Computershare appoints full Board of Trustees **June 2017:** • Trustees expected to engage with distributors, IESO, OEB, others, to define funding criteria and processes. **June 2017:** • Report back to TB/MBC with final program details and a performance management framework including outcome measures and targets **Summer 2017:** • LDCs begin to apply to the Trust for funds **Late 2017/early 2018:** • ENERGY can apply for additional funds through 2018-19 PRRT based on performance and need. Trust term can be extended with amended/new TPA if agreed by Trust

Item	Key Deliverables / Considerations	Timing / Next Steps
6) Expanding ICI (ESP)		
• ENERGY, LSB, IESO and LDCs	• Regulation (amend O.Reg.429/04) • Regulatory Registry (RR) posting <u>Recent Action Items</u> • ESP working to finalize materials for LRC on April 10, 2017 – draft language from leg. Counsel has been shared with ESP staff • Communications finalized TPA with OCC / ESP, CRED and COMMS to consider providing support to CME (outreach with CME ongoing) <u>Considerations</u> • Amendments need to be in effect as much in advance of the consumer notification date as possible to impact electricity bills this year (May 31, 2017). • Ongoing outreach with LDCs being undertaken by IESO	• RR posting on the proposed amendment – posted March 9, 2017 for 30 days • LRC on April 10, 2016 • Report back to TB/MBC on May 1, 2017 • Effective April/May 2017 (TBD)
7) Energy Sector Efficiencies (i.e., Ontario Energy Board and IESO) (SNAP / ESP)		
• ENERGY, LSB, OEB and IESO	**OEB:** • Directive / Letter (TBD) <u>Considerations</u> • Signal efficiencies intent in OEB business plan letter • Work with OEB/LDCs on LTEP document and proposed directive to OEB **IESO:** • Directive / Letter (TBD) <u>Considerations</u> • IESO's stakeholder engagement re Market Renewal is ongoing.	• Continue this work as part of LTEP

Item	Key Deliverables / Considerations	Timing / Next Steps
8) Additional Initiatives for Small Business and Industrials (i.e., Class B) (ESP)		
• ENERGY, MEDG, MOF, MOECC, MOL and Small Business	• Identify additional opportunities to assist Class B electricity consumers and small and medium sized manufacturers' <u>Recent Action Items</u> • ESP to work with other ministries regarding other measures that can be considered for SMEs <u>Considerations</u> • TBD	• Report back to TBC/MBC and Cabinet in spring 2017 (per Cabinet Minute)
9) Initiatives for Tenants (SNAP)		
• ENERGY and MOH	• Explore ways to provide direct assistance to tenants that are not sub-metered and do not directly benefit under the existing and proposed rate mitigation programs <u>Considerations</u> • MHO leading any legislative/regulatory changes needed to have tenants benefit from program. Consider whether benefits are limited to 8% and GA (rather than OESP which is harder to provide to tenants who do not pay their bills). • ENERGY working with MCSS to streamline/automate enrollment for ODSP/OW consumers into OESP.	• Report back to TBC/MBC and Cabinet in fall 2017 (Per Cabinet Minute)
10) Stakeholder/Agency Outreach (Communications)		
• ENERGY	• Minister's letters to: o Ratepayers; o LDCs; o Business (e.g., OCC, CME, Concerned Manufactures, etc); and o Agencies (i.e., IESO, OPG, OEB and H1)	• Early-mid March

Item	Key Deliverables / Considerations	Timing / Next Steps
11) Engagement with Officers of the Legislature		
• ENERGY, MOF/OFA, Financial Accountability Officer (FAO)	• Provide FAO staff with a technical briefing on the OFHP	• March 9, 2017: Preliminary discussion • March 14, 2017: Letter received requesting additional information. March 31, 2017, information provided to the FAO
• ENERGY, MOF/OFA, Auditor General (AG)	• Provide the AG with a technical briefing on the OFHP <u>Recent Action Items</u> • Provide AG technical briefing presentation used in media lock-up on OFHP in advance of the technical briefing	• March 2017: Cabinet submissions provided to AG • April 19, 2017: Preliminary discussion on (TBD)
12) Bill Presentment (SNAP/LSB)		
• ENERGY	• Ministry to begin work on bill presentment <u>Recent Action Items</u> • MO to clarify bill presentment expectations with PO (Bill inserts will be ready for July 1 with bill redesign to occur in the Fall)	• Initial discussion on March 31, 2017

WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 13, 2017

Agenda

1) GA Refinancing
    - Legislative Drafting (LSB / Blakes)
    - OPG Update
    - IESO Update
    - OEB Update

2) OPG Letter

3) Other OFHP Initiatives
    - Affordability Fund (CRED)
    - RRRP, OESP and FN (SNAP)
    - ICI (ESPD)

4) Update on Action Items / Policy Matrix

Notes:

DRAFT: April 11, 2017

[Letterhead of Minister of Energy]

April [●], 2017

Bernard Lord
Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto, Ontario
M5G 1X6

Dear Mr. Lord:

I am writing further to the Premier's news release of March 2, 2017, in which the Province announced the Fair Hydro Plan to lower electricity bills by 25 per cent on average for certain customers starting in the summer of 2017, as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Given OPG's expertise as a participant in the electricity market and its expertise in rate regulated accounting and investment stewardship over significant pension and nuclear funds, I am writing specifically to request OPG's involvement in the implementation of the Global Adjustment Refinancing component of the Fair Hydro Plan

As you will have read, the 25 percent reduction in residential electricity bills referred to in the March 2nd announcement includes the 8 per cent reduction resulting from the rebate of the provincial portion of the harmonized sales tax on electricity bills effective January 1, 2017. The Province has also committed that certain customer bills would not increase by more than the rate of inflation for the four years following the 25 per cent average reduction.

In addition, as you know, Ministry of Energy staff have been working on preparing the draft legislation and regulations to implement the Fair Hydro Plan, with input from the IESO, the OEB, OPG and their respective advisors.

The Province is requesting that OPG, working with the Ministry of Energy, the IESO, the OEB, and their respective advisors, consider and recommend a plan for financing mechanisms that could achieve the Province's objectives for the reduction in consumer bills and the limitation on bill increases outlined above and in the Fair Hydro Plan, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan.

In particular, the Province would like OPG's financing plan to consider, among other things, structures and methods that would permit viable refinancing of a portion of the Global

Adjustment to reduce electricity prices for certain of today's electricity ratepayers, with the costs of the refinancing to be recovered over a period of up to 30 years, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan. We would expect the financing plan to include:

i) potential structures for the financing, which may include, as appropriate, a special purpose vehicle created for the financing;

ii) potential financing mechanisms and instruments, including senior debt and subordinated debt; and

iii) identification of the capital markets and jurisdictions that can be accessed to finance the rate mitigation.

The Province recognizes the need to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing and will address the specific requirements identified by OPG and its financial advisors, including in the pending legislation and regulations that will govern the mechanics and requirements of the financing entity. We would also request that your plan identify any amendments to OPG's governing legislation and constating documents needed to facilitate the implementation of the financing plan in a commercial manner.

We would further expect that the financing plan would be implemented in an effective and cost-efficient manner by OPG.

I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Yours truly,

The Honourable Glenn Thibeault
Minister of Energy

From: Nelms, Scott (MOF)
To: David McLean (MOF)
Cc: Nancy Kennedy (MOHLTC); Gadi Mayman; Ronald Kwan
Subject: Rate Mitigation Implementation Meeting - April 20, 2017
Date: Thursday, April 20, 2017 11:51:10 AM
Attachments: the-economic-cost-of-electricity-generation-in-ontario-april-2017.pdf

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Hi Dave,

Here is my next installment of Thursday OFHP. Note that I have attached a report from IVEY, referenced later in the document.

- AG discussion (Yesterday):
  - ENE Lead, walked through the March technical briefing presentation
  - TBS DM suggested that this was the first of several meetings and considers this to be a high level, first pass
    - Lots of moving pieces where the Province does not yet have clarity
    - Will take back questions and will respond once it has more certainty on structure
  - The AG and staff had the following questions:
    - Legislative precedent of shifting ratebase to tax base, and can the tax base support these additional charges?
    - Why use trust mechanism for Affordability Fund, and should the Trust be consolidated?
    - Seeking more details on the accounting for the OFHP and wanted reports to justify what is set out in the Budget
    - Also seeking independent studies to back up 30 year contracts (ENE referenced Ivey report)?
    - Asking about mechanics of the OPG Trust, OEFC lending etc.?
    - What was used to brief the FAO?
- Legal Update
  - Timing Update
    - Pens down now on the 28th
    - May 9th TB
    - May 10th Cab
    - May 11th introduction
  - Latest large legal discussion took place on Monday
    - This was the first run through of legislation draft (up to that point discussions focused on turns of instructions to leg. counsel)
  - Current Status
    - Turning a new draft today
    - Trying to find balance and working through all the wording from various parties (some of which is inconsistent)
    - Received very detailed feedback from OPG / Torys and others
    - In all-night drafting stages
    - Trying to balance stakeholder consultation time and drafting time
  - Tension between enabling the transaction in legislation and embedding the transaction in legislation

- Determining how many questions need to be answered now and what can be pushed to regulation / commercial agreements
- Legislation will include indications to regulations, but will not have all filled in
- Difficult because American examples embed transaction in legislation

o At least one more turn of legislation
- If comments quickly, may be able to turn more than once
- Seeking comments by no later than Sunday

o Business Issues
- Guarantees
  - General powers to be enabled in legislation and details will flow in regulations / commercial arrangements
  - MoF / TBS suggests Minister of Finance should have power to provide guarantees under FAA
  - First ask from dealers included several elements that would likely not be palatable to the Province
    - For example, a make-whole penalty which creates a very expensive break fee
  - OPG and OFA to develop a set of proposed guarantees, rather than negotiating with dealers
- OPG requires cash flows immediately (interest payments starting on Day 1)
  - Need to meet this objective while meeting the Province's commitment to reduce rates by 25% and maintain increases at inflation for next 4 years
  - Without these payments there would be an adverse effect on credit metrics, and earnings (fiscal)
  - Response:
    - IESO will pay interest costs to OPG Trust on an ongoing basis, funded through its line of credit, resulting in a larger deferral
    - OPG Trust would then purchase the deferral from IESO (consistent with mechanism already being contemplated)
    - Need to determine accounting impact to IESO, KPMG's preliminary view is that this will work
- Should Province / OPG be targeting AAA rating and what is the impact of Provincial guarantees?
  - Interaction with required Provincial guarantees
    - Fed example of Muskrat Falls, no make-whole, convert to Canada bonds, still trades 80 bps back from Canada
  - Regardless of rating, will trade back from Ontario
  - S&P tends to focus on back-stop more so than Moody's, DBRS, so may have a split rating
    - S&P more focus for US investors so may not be as relevant if Canadian focus initially
  - AAA rating helps for securitizations and important to aim as high as possible given unique structure (needed in order to attract those investors
  - Important target, but need to avoid setting up potential expense of $100s of millions in break fees

- Approvals for equity injections
    - Need to have appropriation approvals in TB sub
    - Focus on an annual approvals process, followed by a streamlined monthly flow of funds
    - EIGS (me) to work through this with OFA, OPG and TBS and report back
- Con Law issue
    - Navigant engaged by ENE and working through an analysis of the underlying life of assets
    - Lawyers working on reverse engineering legislation to ensure it is constitutionally sound

- OPG Update
    - Special Board committee yesterday to briefing on status of legislation
    - Formal approval May 5th from Board
    - Accounting letters now working through process (E&Y letterhead, they are in agreement)
    - Credit Rating process
        - Will approach rating agencies post-regulations, with a framework for commercial agreements
        - OPG anticipates ~1 month to receive preliminary view from rating agency
        - And a few additional weeks to finalize
        - Final rating will come once contractual arrangements are in place
    - OPG working with IESO on operations and framework of how the purchase and sale agreement will work
        - Iterative process starting now
        - Will need to move as legislation / regulation develops

- IESO Update
    - Discussions with OFA on enhanced LoC underway
    - Accounting opinion in development
        - Main focus on risk to IESO in event OPG in future does not purchase the asset (need recoverability from ratepayers without taking away from rights of the Trust); dealers do not want to keep layering on additional charges to ratepayers
            - Ok if Province owns separate cash flow, but not so comfortable if IESO then sells to a separate financing entity (worried about prioritization)
            - Can the Province backstop without a fiscal hit on the entire transaction structure
    - IESO IT Audit
        - May be looking into Market Surveillance Panel functions
        - Meeting Tuesday afternoon with AG on the OFHP (plan to state this is still in process)

- OEB
    - Today the RPP for May will be announced
        - Taking into account all elements of the Fair Hydro Plan that seemed prudent to

include
        - OEB seemed to suggest 50% now and remaining 50% dependent on legislation implemented so anticipate a further change to rates on July 1
    - Need more details on OEB's anticipated role in setting up regulatory assets

Social Programs

- RRRP
    - Meeting of LDCs earlier in the week (43 attended)
    - ENE provided update on activities underway
    - Re-enforced need for updates to systems by July 1, and LDCs were receptive
    - Discussed bill presentment and LDCs were comforted that only limited changes needed now, more extensive changes in the fall
- OESP
    - Working through legislative changes in support of this initiative
    - MCSS and ENE working to get to automatic enrollment, and appear to have a path
    - Discussions with CRA underway, received message that this is a priority to remove wet signature requirement
- FN rate
    - ENE sitting down next week (Wed) to discuss operationalizing credit with COO
- Affordability Fund
    - Advisory committee met on Tuesday
        - Consensus on selection of Trust representatives
            - Hydro One, Alectra, Thunder Bay Hydro
            - Ottawa-Carleton United Way, Advocacy Centre for Tenants of Ontario
        - Will follow up on specific representatives from those organizations
        - Given AG questions, important to move on this as quickly as possible

ICI

- Shifted beyond approvals
- Working with OCE and CME on outreach campaigns
    - Asked to participate in next AGM of OCE to provide overview of ICI
- Also coordinating with LDCs to advise them of changes

Other Updates

- TB May 9th
    - Will include social programs
    - GA smoothing legislation
    - Appropriation approval for equity injection
- IVEY Energy Centre released a report that walked through the merits of GA Smoothing (attached)
- Will re-schedule the next meeting for Tuesday, recognizing budget release date is next Thursday

IVEY Business School
WESTERN UNIVERSITY · CANADA
Energy Policy and Management Centre

Policy Brief
April 2017

The Economic Cost of Electricity Generation in Ontario

EXECUTIVE SUMMARY

- The overall cost of electricity generation, which accounts for almost two-thirds of Ontario's total system costs, has increased significantly since 2005 mainly due to a substitution away from coal generation towards more costly renewable sources, and a parallel increase in the total amount of installed capacity in the province, notably due to an expansion in the amount of natural gas capacity.
- The unit cost of electricity generation is approximated by the sum of the wholesale market price and the Global Adjustment. Wholesale market prices reflect, in part, short-run variable costs, but often fall short of the total cost of producing electricity, which includes significant fixed capital costs. The Global Adjustment is a mechanism that, in conjunction with the wholesale hourly market price, ensures recovery of variable and fixed generation costs. As such, the Global Adjustment is not an overpayment but a component of the full economic cost of generating electricity.
- Recent increases in consumers' electricity bills have been driven in part by the rapid expansion of generation capacity in the province, much of which has been financed under 20 year contracts with private firms. Current rates and electricity bills could be reduced by amortizing contracted generation capital costs over longer periods to match the productive lifespans of the assets, often longer than the contracted terms. The cost of generation charged on consumer bills would then more closely reflect the economic cost of the assets. A policy of smoothing generation costs through government subsidies in the short-term would incur interest charges and would lead to higher bills in the long-term.

INTRODUCTION

This report brings an economic perspective to the analysis of electricity generation costs and prices in Ontario. Generation accounts for approximately two-thirds of Ontario's total electricity system costs, making consumers' electricity bills particularly sensitive to changes in generation policies and the cost of ensuring that sufficient generation capacity is available to meet demand. In Ontario, the wholesale price of electricity generation has declined since 2006, yet regulated rates for household consumers have almost doubled, creating confusion over the reasons why bills have increased. While a comprehensive analysis of electricity system costs and consumer bills is outside the scope, this report provides an economic cost analysis of the generation component of electricity bills, which can reconcile these seemingly contradictory trends. An important insight, which comes from the experiences

of jurisdictions that have deregulated their power generation sectors, is that wholesale generation markets are often distorted by the effects of administrative restrictions on market operations and by parallel long-term contracting policies, undermining the signals that market prices would otherwise provide for efficient generation production, investment, and consumption decisions. In such markets, wholesale market prices are shaped in part by strategic bidding behaviour of generators, and need not accurately reflect underlying average or marginal costs of generation. Consequently, a complete account of the cost of generation, and its pricing, requires a broad analysis that incorporates a range of generation sector policies.

WHOLESALE ELECTRICITY MARKETS AND INVESTMENT IN GENERATION CAPACITY

In competitive markets with many buyers and sellers, homogenous products and firms, and unrestricted exit and entry, market prices send crucial signals to firms and consumers, and help balance demand with supply. Importantly, these conditions create a close relationship between prices and costs since competitive pressures push prices to the marginal cost of production. External shocks to demand or supply that shift prices will cause firms to enter or exit the market, moving prices to long-run average cost levels over time. For example, an increase in demand that increases prices will encourage new firms to enter the market, subsequently exerting downward pressure on prices. In the long-run, market prices enable firms to recover both fixed and variable costs, and to earn a normal rate of return on capital invested. Hence, in competitive markets, prices are an indicator of the long-run cost of producing goods and services.

Wholesale electricity generation markets, however, generally do not conform to the ideal of an unfettered competitive market (Borenstein, 2016). The distinctive characteristics of electricity markets are many and well known. Electricity is not storable in large quantities so production must match extant demand. Renewable power sources are intermittent, necessitating complementary investment in dispatchable generation capacity that may have low utilization rates. Transmission and distribution are subject to congestion, creating conditions for oligopoly or even monopoly pricing. Demand is highly price-inelastic in the short-term for many consumers, implying consumers are willing to pay high prices for electricity. Variable costs of production are small relative to high fixed costs, especially for renewable power sources, meaning variable costs can be significantly lower than average costs. Renewable power, which governments have encouraged for environmental reasons, often has higher average unit costs than fossil fuels, often requiring additional policy instruments to support private investment. Entry by new generators is highly regulated, and it can take many years for permitting and construction to be completed, leading to extended periods of under- or over-supply of capacity. Under such conditions, wholesale electricity market prices can diverge from average costs for long durations, creating an uncertain investment environment for generators. Two risks are particularly germane:

First, small shocks to demand or supply can lead to rapid escalation in wholesale market prices given short-run price-inelasticity of demand and supply. For instance, in Ontario during September 2002, even though the average price over the month was $83/MWh, it peaked at $1028/MWh, more than twelve times the average. Price spikes reflect scarcity and are a feature, not a flaw, of a well-functioning market. However, dramatic price spikes often create consumer pressure on governments to intervene and reduce volatility by implementing caps. In Alberta, the government capped wholesale market prices at $1000/MWh (Brown and Olmstead, forthcoming). Ontario's maximum wholesale market price is set at $2000/MWh.

One consequence of such intervention is that it can create a "missing money problem" for generators. As one electricity market expert noted, "The missing money problem arises when occasional market price increases are limited by administrative actions such as price caps. By preventing prices from reaching high levels during times of relative scarcity, these administrative actions reduce the payments that could be applied towards the fixed operating costs of existing generation plants and the investment costs of new plants" (Hogan, 2005, pg.1). By limiting the opportunities for generators to recover fixed costs, price caps can act as a disincentive for generators to invest in new capacity.

A second risk for generators is that if markets develop excess generation capacity, wholesale prices will be pushed down towards variable costs, preventing generators from recovering fixed investment costs, which can be large given the capital-intensive nature of electricity production (Borenstein, 2002). Anticipating that future market conditions could change, generators may be unwilling to invest in new capacity—even if current levels are not fully sufficient to meet demand—when costs can only be recouped through wholesale market revenues. Such risks are magnified in institutional environments where government entities can rapidly implement sweeping regulation or policy changes, as in parliamentary systems with majority party control.

For these and other reasons, wholesale electricity market prices often do not send accurate signals to producers or consumers regarding efficient production and consumption behaviour, nor need they create the competitive incentives for generators to make sufficient long term investments in capacity for reliable supply within a jurisdiction, especially in generation technologies that have high average costs relative to variable costs (e.g. renewable fuels) or that have very long payback periods (e.g. nuclear power). This means that governments, even in deregulated markets, often rely on complementary policy mechanisms to enable generators to recover their fixed costs of electricity generation and to remain in the market. Long-run power purchase contracting, which effectively mimics average cost pricing, has been a common approach in many jurisdictions, as have been separate capacity markets (Biggar and Hesamzadeh, 2014). Invariably, however, additional policy instruments do not operate independently but have spillover effects on generator incentives, introducing further complexities and distortions in the operation of wholesale markets.

ONTARIO'S GENERATION SECTOR AND WHOLESALE MARKET

Background

Over the last half century, several structural shifts have fundamentally changed the nature and cost profile of Ontario's electricity generation sector. Major nuclear generating capacity was brought online during the 1960s to 1980s, transforming baseload generation in the province. Construction costs proved to be significantly greater than expected, however, leading to rate increases of more than 30% in the early 1990s, shortly followed by a rate-freeze imposed by a new (NDP) government in 1993 (Trebilcock and Hrab, 2005).[1]

The second structural change occurred in the late 1990s and early 2000s when the province, in concert with many other jurisdictions that were seeking greater electricity sector efficiencies, experimented with market deregulation and restructuring. In May 2002, the Progressive Conservative government launched a competitive wholesale

[1] The rate freeze remained in place until the Government launched the competitive retail market in 2002.

electricity market and a short-lived competitive retail market. Hot summer temperatures combined with a shortage of generation capacity triggered wholesale price spikes and rapid increases in consumer bills (Trebilcock and Hrab, 2005, pg. 126). Yielding to public pressure to reduce 'rate shock', the government quickly reversed course, closing the retail market in November 2002, implementing a rate freeze, and shelving plans for privatization and restructuring of state-owned generation assets. The government retained the wholesale market with the expectation that it would encourage private investment in new generation capacity.

The third structural shift began in the mid-2000s under a newly-elected Liberal government that sought to rebuild the supply portfolio to address a generation shortfall, and also to rebalance the supply mix, notably by reducing the share of coal generation while phasing in renewable sources such as wind and solar.[2] Since the private sector was reluctant to invest in merchant generation assets, the government created the Ontario Power Authority (OPA) in 2004 to enter into long-term power purchase contracts with generators, operating under the direction of the Minister of Energy. To expedite the government's policies and to avoid repeating the 2002 summer-time supply shortages, the government implemented a series of long-term contracting programs for specific types of generation technologies, including through competitive procurements, standard offer or feed-in tariff programs, and bilateral negotiations with private generators. Under each of these mechanisms the government guaranteed to buy power at a fixed unit rate over a specified time period, commonly 20 years.[3]

Since 2005, the OPA (now the IESO) has contracted for approximately 6,000 MW of wind capacity and more than 2,600 MW of solar capacity (IESO, 2016a). In total, the IESO has contracted for more than 27,000MW of energy. Ontario Power Generation (OPG) controls significant additional nuclear and hydroelectric capacity whose rates are regulated by the Ontario Energy Board.

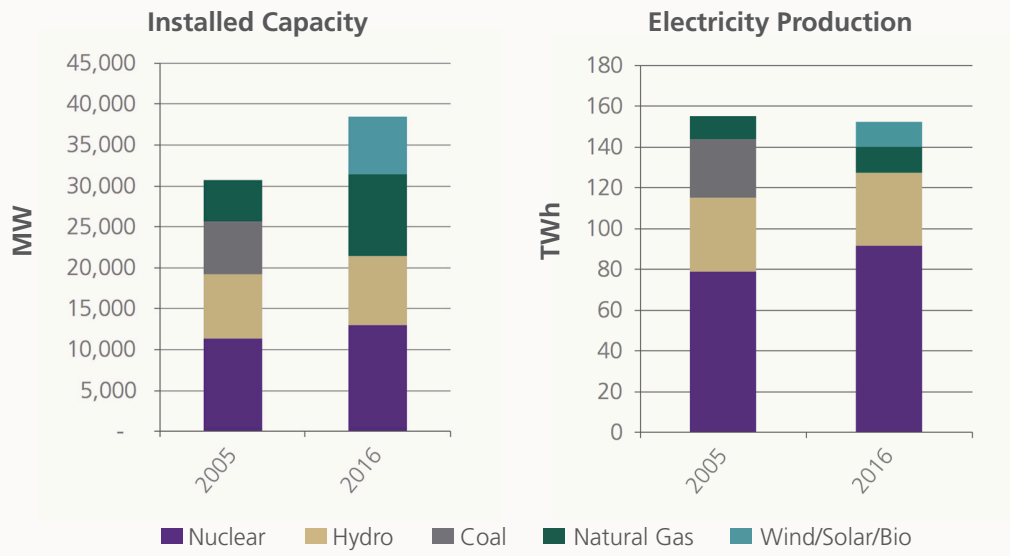
Figure 1 shows how the province's generation profile, including both contracted and regulated components, has changed over the eleven year period since 2005. Overall, the province expanded its installed generation capacity by a net 8,000 MW, increasing to a total of approximately 38,500 MW in 2016. Nuclear power has remained the single largest component, accounting for 11,400 MW in 2005 (37% of total capacity), increasing to 13,000 MW in 2016 (34%). Hydroelectricity was the second largest component in 2005 at 7,900 MW (26%), and has increased marginally to 8,500 MW in 2016 (22%). The most significant changes have been in renewable and natural gas generation. Wind, solar and bio-energy power sources added 7,100 MW over the eleven year period, and accounted for 18% of total installed capacity in Ontario in 2016. Natural gas installed capacity doubled between 2005 and 2016 (adding approximately 5,000 MW), increasing its share from 16% to 26%. Coal, which accounted for 21% of capacity in 2005, was eliminated from the supply mix by April 2014.

In terms of electricity production, overall power output in the province decreased marginally from 155 TWh in 2005 to 152 TWh in 2016. Nuclear accounted for the majority of output (92 TWh, 60% of overall output in 2016), and has increased both the absolute amount and its share of output since 2005. Hydroelectric power generation has remained steady at 36 TWh, and is the second largest component of overall output (23% in 2005 and 2016). Wind, solar and bio-energy accounted for approximately 8% of power output in 2016 (12 TWh). Natural gas output increased marginally between 2005 and 2016, despite the doubling of capacity, and accounted for about 8% of total output in 2016.

[2] Electricity Conservation and Supply Task Force, Final Report to the Minister, January 2004

[3] Contracts for natural gas generation were more complex and included clauses for fixed monthly payments.

Figure 1: Installed Capacity and Electricity Production by Fuel Type, 2005 and 2016



Source: IESO Supply Mix data and Ontario Power Authority 2005 Supply Mix Advice.

Investment in new generation capacity since 2005 has been supported in large part by long-term contracts with private generators that specify a fixed purchase price for energy produced (e.g. $135/MWh for wind power under the FIT program), though they are structured as 'contracts for differences', which provide two related components of revenue for the generators. The first component consists of the prevailing wholesale market price for power, referred to as the 'Hourly Ontario Energy Price' (HOEP). Since wholesale prices may be less than the contracted rate, the second component is the difference between the agreed contract rate and the wholesale price, and is included in the 'Global Adjustment' generation charge. The Global Adjustment consists of the costs of payments to contracted generators, as well as the costs of conservation expenditures, and payments to regulated generators. It exists because, in general, market-based revenues are insufficient to cover the full costs of contracted or regulated generation. The combination of the Global Adjustment and the Hourly Ontario Energy Price effectively represents average cost pricing, enabling generators to recover their variable and fixed costs.

Wholesale Electricity Market

Ontario's wholesale electricity market operates as a mechanism for dispatching generation units in order to ensure a reliable and continuous supply of electricity. The wholesale market price—the HOEP—is determined by offers submitted in advance by generators that specify the amount of power they are willing to provide and the offer price. The HOEP is the hourly average of twelve five-minute market-clearing prices that balance supply and demand. The five-minute market-clearing price, and ultimately the HOEP, is based on the offer of the marginal generating unit, and all dispatched generators, regardless of their offer, receive market revenues at the market-clearing price. Generators that submit offers greater than the five-minute market-clearing price are not dispatched and do not receive wholesale market revenues.

Since 2005 there has been a declining trend in the hourly energy price on the wholesale market, as illustrated by

Figure 2. Contributing factors include falling natural gas prices, lower demand for electricity within the economy, and expansion of generation capacity with low to zero marginal costs such as wind, solar and hydro. In the eight year period 2009 to 2016, the hourly energy price averaged $28/MWh, significantly below the average total cost of virtually any type of generation technology. Such wholesale prices are insufficient by themselves to incent investment in new dispatchable generation capacity, for instance natural gas, which is needed to complement the growth of intermittent renewable generation.

The decline in Ontario's wholesale market price does not necessarily imply that the average cost of generation has also declined, nor is the wholesale price necessarily an indicator of the average generation cost at any point in time. Two explanations are germane: first, in generation markets with excess capacity, such as in Ontario, wholesale prices are largely determined by variable or marginal production costs, not by average costs which additionally reflect fixed capital costs. A significant presence of renewable resources, which have low variable costs, further drives a wedge between wholesale prices and average costs.

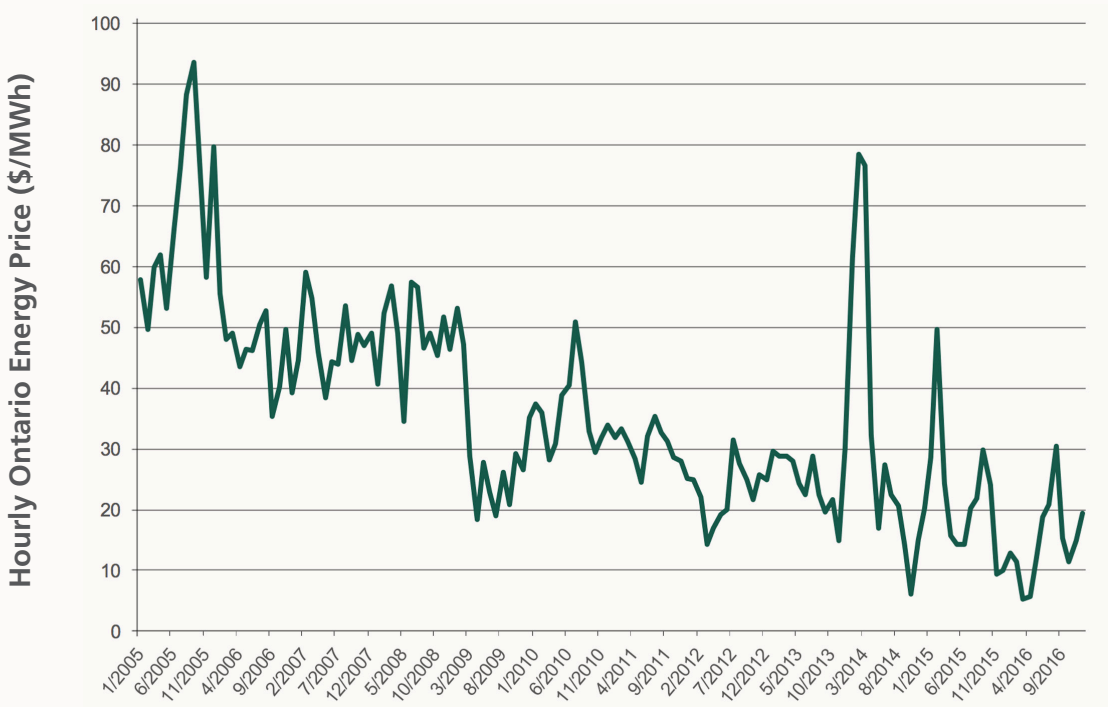
Second, strategic behaviour by generators can distort wholesale prices below even their marginal costs of production. For instance, before September 2013, renewable generators such as wind and solar were at times submitting offers to the market at prices equal to -$2000 per MWh. Notionally, an offer of -$2000 per MWh suggests that wind generators are willing to pay the operator $2000 per MWh dispatched, an unlikely proposition. In reality, wind generators knew that they were guaranteed to receive their contracted, fixed power purchase rate per MWh and wanted to ensure their power gained a favourable position in the merit order and was dispatched. Due to such strategic bidding behaviour by generators, between 2009 and 2014, the HOEP was negative for almost 2000 hours (equivalent to 83 days).[4] In response, in late 2013 the IESO established floor prices for transmission-connected wind and solar generation offers at -$10 per MWh for the first 90% of capacity (subsequently increased to -$3 per MWh) and -$15/MWh for the remaining 10% (Navigant, 2014b). Similarly, manoeuvrable nuclear generators have an offer floor of -$5 per MWh to limit strategic bidding. These examples illustrate that generators are not necessarily offering their production cost, but instead are adjusting their offers in accordance with the terms of their fixed price contracts.[5]

In this sense, generators' long-term purchase contracts can distort the wholesale market price since they reduce the incentives for generators to make offers in the wholesale market based on their cost of production. While the wholesale market price does not provide a perfect economic signal to producers and consumers, this does not imply that the wholesale market dispatch mechanism operates inefficiently over the short-term. Provided that the dispatch merit order is maintained, the five-minute market-clearing price still sends a reasonably accurate signal for short-term dispatch, and generally ensures that lower cost sources of electricity are dispatched before higher cost sources.

[4] Annual Report of the Office of the Auditor General of Ontario, 2015, page 216.

[5] In a slightly different context, Harvey (2013, pages 1-2) states that the hourly Ontario energy price "does not reflect the actual cost of meeting load … and therefore does not send an accurate signal for longer term decisions, such as the entry or exit of generation or of particular types of generation, for increases or decreases in power consumption, or for generators and dispatchable loads." Moreover, no entity in the province purchases electricity via the wholesale market (Alpin, 2017).

Figure 2: Hourly Ontario Energy Price



Source: IESO

THE COST OF GENERATION IN ONTARIO

The cost of contracted generation, which accounts for the majority of capacity in the province, is approximated by the sum of the wholesale market hourly spot price and the Global Adjustment amount, which acts as a full cost recovery mechanism (MacDougall, 2012).[6]

The formal description of the Global Adjustment is outlined in Ontario Regulation 429/04.[7] Officially, it is a payment variance that reconciles the difference between the earned revenues in the wholesale market and the rates established via contract. The relationship between the hourly Ontario energy price and the Global Adjustment may be characterized as a seesaw. When the hourly Ontario energy price goes up, the Global Adjustment goes down; and when the hourly Ontario energy price decreases, the Global Adjustment increases. This relationship is automatic and mechanical. Importantly, this seesaw relationship implies that neither the wholesale price nor the Global Adjustment by themselves provide an accurate 'market signal' to consumers or generators. Further, it is incorrect to interpret the Global Adjustment as an overpayment or 'above-market' payment for generation, as some commentators have claimed, since the wholesale price is not a true market price as would be observed in

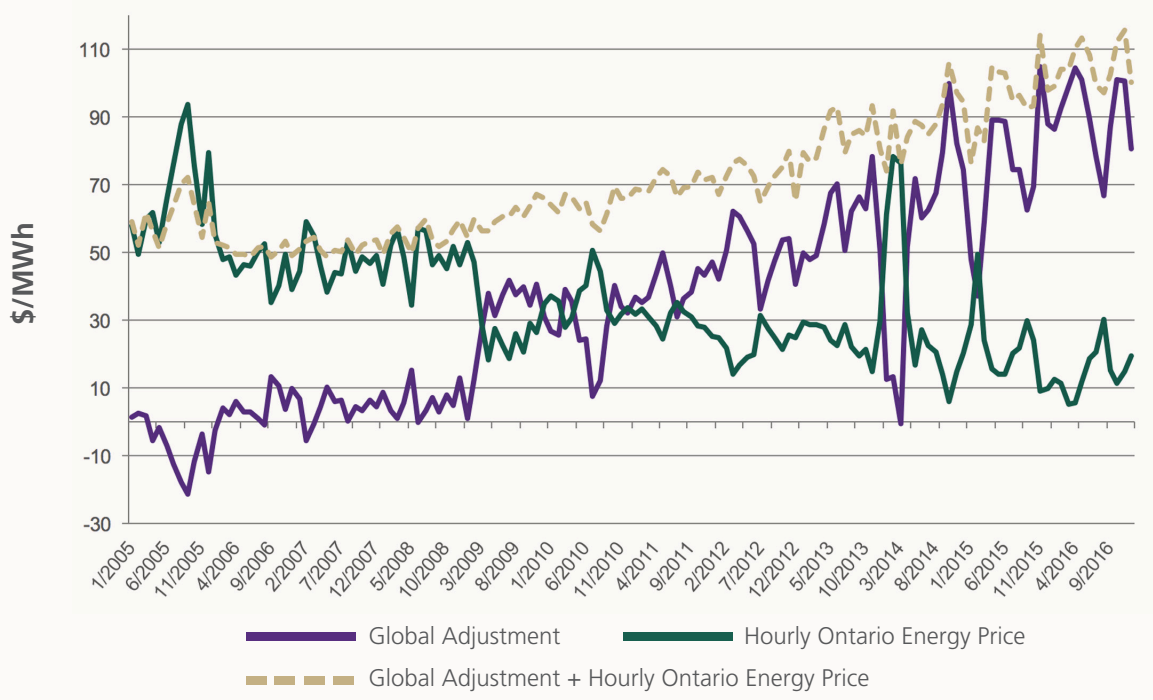
[6] Non-contracted generation includes Ontario Power Generation's nuclear and hydro electricity assets which have rates established through cost-of-service regulation.

[7] Section 1(1) of 429/04 precisely presents the calculation of the Global Adjustment.

normal competitive markets. The appropriate counterfactual for Ontario prices is less obvious than it might seem at first inspection and needs to be formulated as the inclusive price that covers both variable and fixed costs in the absence of policy intervention.

Figure 3 illustrates the hourly Ontario energy price and the unit Global Adjustment amount from 2005 to 2016. The hourly Ontario energy price is calculated as an hourly average of 5-minute dispatch prices, which are determined in the real-time market. The Global Adjustment is calculated monthly, and is based technically on the difference between the hourly Ontario energy price and (i) IESO's contracts with generators, (ii) contracted rates administered by the Ontario Electricity Financial Corporation, and (iii) OPG's regulated nuclear and hydro generation rates (IESO, 2016b). The seesaw or inverse relationship between the Global Adjustment and hourly wholesale energy price is immediately obvious in the Figure.[8] While the hourly price has steadily declined since 2005, albeit with natural monthly variation, the Global Adjustment has increased over the same period, mirroring monthly movements in the hourly price.

Figure 3: Hourly Ontario Energy Price and Global Adjustment, 2005–2016

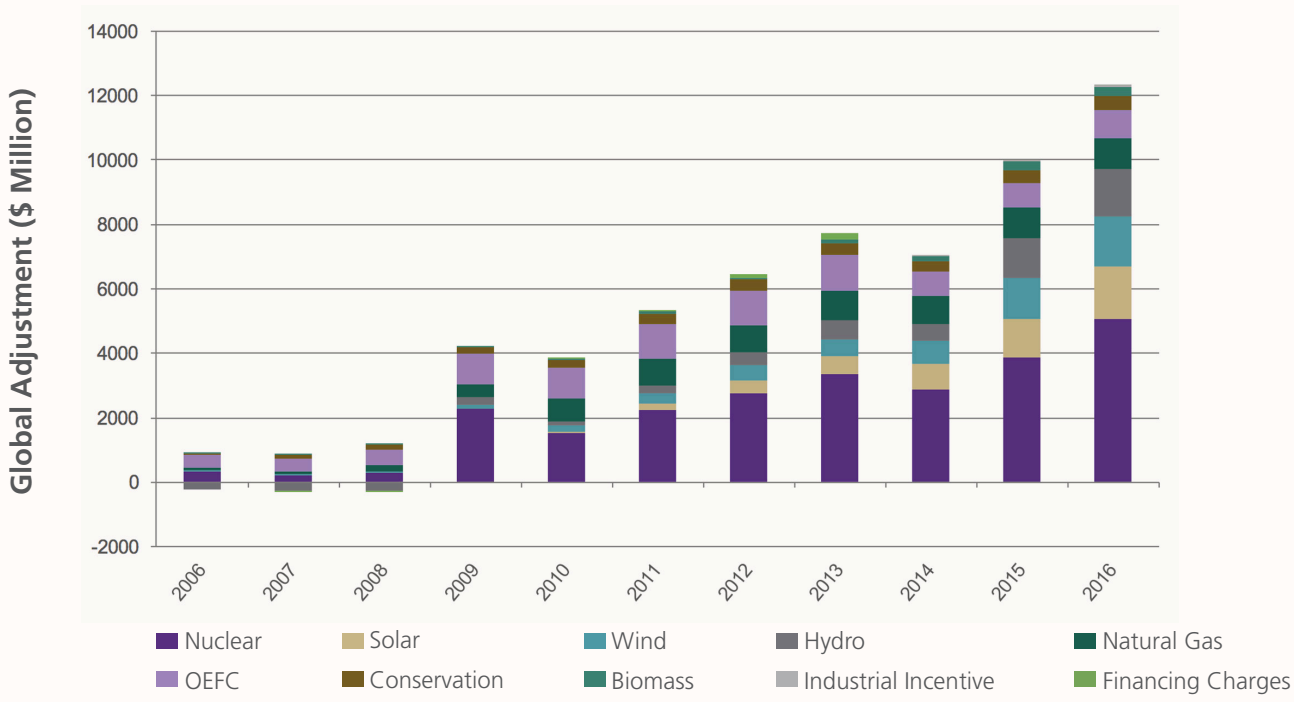


Source: IESO

[8] The relationship is not a perfect one-for-one because the Global Adjustment is a true payment variance and hence includes the costs of conservation programs and financing charges. Also because the Global Adjustment shows up in customers' biannual rate plans, the Global Adjustment, in conjunction with the hourly Ontario energy price, induces a small demand response.

Decomposing the Global Adjustment into its components provides some insight into the share of costs attributable to different generation fuels as shown in Figure 4. It does not provide an accurate picture of total generation costs by fuel type since it does not include costs recovered through wholesale market revenues, though these were a minor share in 2016. The overall Global Adjustment was $12.3 billion in 2016. Nuclear accounted for the single largest share of Global Adjustment costs at 41%. Solar and wind power each accounted for 13%, hydroelectric power for 12%, and natural gas for 8%. Other components summed to 13%.

Figure 4: Global Adjustment by Component, 2006–2016



Source: IESO

REASONS FOR GENERATION COST INCREASES

Rates paid for electricity in Ontario have increased despite a steadily decreasing wholesale market electricity price due to corresponding increases in the Global Adjustment as previously described. While a formal analysis of the sources of these rate increases is beyond the scope of this report, it is valuable to briefly review some of the underlying reasons for the increase in generation costs.

The average unit cost of generation (per MWh) is represented by the dashed line in Figure 3, the sum of the hourly wholesale price and Global Adjustment. From 2006 until 2009, the average cost was relatively stable, remaining between $50 and $60/MWh. Since 2009 there has been a continuous upward trend in the average cost of generation, reaching more than $110/MWh by late 2016. Several factors have contributed to this trend:

Phase out of low cost coal-fired generation. Between 2005 and 2014 Ontario gradually phased out all coal-fired plants, which provided 25% of power generation in the province at a relatively low unit cost (approximately $48/MWh). The coal fleet was reaching the end of its productive life, and new capital investment required to replace it would have increased system-wide costs of generation, and hence rates, regardless of the replacement type of generation fuel. For example, the refurbishment of Bruce Power nuclear units, which provide base load power, yields power at a contracted rate of $66/MWh. Offsetting higher costs, however, are health and environmental benefits from switching from coal to less emission-intensive fuel sources.

Increasing share of renewable fuels. The 2009 *Green Energy and Green Economy Act*, and initiatives such as the Renewable Energy Standard Offer program launched in 2006, have led to the development of a significant amount of wind, solar, hydroelectric, and bio-energy capacity, supported by fixed feed-in tariffs guaranteed for 20 years. Between 2005 and 2016, the province added approximately 7,100 MW of new wind, solar and bio-energy capacity, accounting for 18% of installed capacity in 2016. The rates paid for renewable power are greater than rates paid for nuclear and hydroelectric power which provide the bulk of electricity for the province, for instance ranging from $135/MWh for on-shore wind to $443/MWh for ground-mounted solar PV under the 2012 FIT pricing schedule. Power purchase prices for new solar capacity have since declined as technology costs have fallen steeply, but remain above levelized unit costs for natural gas and nuclear power. In addition to higher direct costs, the expansion of renewable generation capacity has required complementary investment in transmission and distribution sector upgrading, an indirect cost implication for the electricity system.

The Ontario Energy Board provides annual estimates of average generation costs by fuel type based on total payments to generators operating under all contract and regulation mechanisms. The OEB's 2016-17 estimates illustrate the higher average cost of wind, solar and bio-energy relative to nuclear and hydro (see Table 1). It is notable that the average cost of natural gas power is greater than wind and bio-energy power, despite low wholesale gas prices, which may be account for the low capacity utilization of natural gas generation assets.

Table 1: Average Costs of Generation per MWh by Fuel Type

Generation Fuel	Average Unit Cost ($/MWh)
Nuclear	66
Hydro	58
Natural Gas	173
Wind	140
Solar	480
Bio-Energy	131

Source: Ontario Energy Board Regulated Price Plan Report, November 2016 to October 2017. Hydro excludes NUGs and OPG non-prescribed generation. Gas includes Lennox, NUGs and OPG bio-energy facilities.

Overall growth in installed generation capacity. Expansion of the province's generation portfolio began in the early 2000s when the economy was growing robustly and when there were heightened concerns about supply outages, especially following the major regional blackout in Ontario and the north east U.S. in August 2003. In addition, given the shift towards renewable power generation, which is intermittent, the province needed to invest in complementary natural gas or other dispatchable capacity that could operate during periods when renewable power was not available. Ontario added 5,000 MW of natural gas capacity between 2005 and 2016, much of which provides peak and mid-peak power, to bolster system reliability and to satisfy regional needs. The overall amount of installed capacity in the province has increased significantly over the last decade. In 2016, installed capacity was approximately 38,500 MW – a 25% increase from 30,500 MW in 2005. While capacity has grown, however, overall annual domestic demand for grid power has declined, due to a combination of pricing

effects, weaker economic growth, enhanced conservation efforts, and expansion of distributed energy resources. According to IESO data, grid demand declined by 10% from 2006 to 2015, reflecting, in part, the impact of the 2008 Great Recession. Annual peak grid demand has also fallen sharply, from an all time high of 27,000 MW in August 2006 to 22,500 MW in 2015. While long-term forecasting of electricity demand is notoriously difficult, the province has invested in new generation capacity that has proved to be in excess of typical needs, contributing to higher system-wide costs and consumer bills.

SMOOTHING CONTRACTED GENERATION COSTS

The rapid pace of contracting for new generation capacity since 2005 has contributed to a corresponding escalation in consumers' electricity bills. Over the last decade, regulated electricity rates for residential consumers have almost doubled, creating a degree of 'rate shock' and leading to calls for generation market reform. While the government has taken some heat for rising bills, there is a potential policy solution that is economically rational and relatively simple to implement. The government could smooth the costs of contracted generation capacity—which account for more than half of electricity system costs—over a longer period of time than is currently planned, reducing consumer bills in the short to medium term in return for slightly higher bills in the long term. This is akin to household mortgage refinancing that lowers monthly payments by extending the term.

The economic rationale for such a smoothing policy is that the useful productive lives of contracted generation assets—payments for which constitute the bulk of Global Adjustment charges—are in many cases longer than the durations of the contracts. For instance, wind power RESOP, FIT and LRP contracts are structured for 20 years, even though wind turbines and equipment may be expected to operate for 30 years or longer, assuming periodic maintenance and refurbishment is undertaken. Similarly, natural gas generation contracts are generally for 20 year periods, though in the U.S. gas plants have often been retired after 40 years. Besides wind and natural gas, there may be additional generating assets that present opportunities to smooth costs for consumers. Under 20 year contracts, generator capital costs are amortized too quickly relative to the useful life, leading to higher annual capital charges than would be the case if the amortization period was extended to the full expected life span.[9] Charges to consumers for contracted generation could hence be reduced by stretching capital amortization periods to match the expected productive lives of the assets. In this way, the costs of generation charged on consumer bills would more closely reflect the true economic costs of the assets.[10]

There are three possible methods to accomplish generation cost smoothing in Ontario, recognizing that many new contracts with generators have already been signed over the preceding 12 years.

---

[9] Generators have strong incentives to fully amortize fixed capital costs over the duration of the contract, and to build these costs into competitive supply bids, even if the contract duration is shorter than the expected lifespan of the asset. Once a generation facility is constructed it becomes a physically sunk asset, leaving the generator with considerably reduced bargaining power at the end of contract. Even if the government wishes the generator to continue operating after the end of the contract, it may offer to purchase power only at the variable or operating cost of production, providing minimal opportunity for the generator to recoup sunk fixed capital costs. As long as the purchase price at least covers variable costs, it is rational for the generator to accept the government's terms and to operate.

[10] The same smoothing principle could be applied to other generating assets where contract durations are less than expected asset lifespans. It is also applicable for expenditures on conservation projects, which can involve upfront investments in capital assets that reduce electricity demand over multiple years. For instance, high efficiency industrial refrigeration compressors are expected to operate for more than a decade. Currently, conservation expenditures are fully recouped in Global Adjustment charges in the year in which they occur. The Ministry of Energy estimates that smoothing conservation expenditures over asset lifespans could reduce electricity system costs in the short term by $300-$500 million.

1. Option for existing generators to bid for new long-term contracts

First, the government could offer generators with existing contracts the opportunity to bid for new contracts that would supersede their current contracts, stipulating that (a) the time horizon for a new contract must extend beyond the current one, and (b) the new purchase price for electricity for the duration of the new contract must be lower than the current contracted rate. If the generator and government reach agreement on new terms the new contract would replace the original one. Otherwise, the original contract would remain in force.

From the generator's perspective, this provides an opportunity to lengthen the time horizon of financial returns on their investment, and to increase the extant expected net present value of the project. It also pre-empts a potentially challenging renegotiation with the government at the end of the original contract when the assets still have productive capabilities but have been fully amortized. From the government's perspective, generation costs would be smoothed over a longer period of time as determined by individual generators on a case-by-case basis, lowering average electricity bills in the short to medium term.

There are several caveats with this approach. First, substantial rate reductions will be achieved only if there is sufficient competitive bidding pressure between generators for contract extensions. Since future demand for electricity in the province may well decrease, the government need not extend all generator contracts, which could create some implicit bidding competition – but the likely degree of competition and downward pressure on rates is uncertain ex ante. Second, the process of negotiating contract extensions could be administratively complex and time consuming for both the government and generators. The government has contracted with thousands of private entities since 2005. Generators would also likely need to renegotiate their own contractual arrangements with a range of parties in addition to the government, including landowners, financiers, local communities, and Aboriginal groups, a complex and uncertain exercise. A third caveat is that providing new long-term contracts to generators could impact the proposed introduction of a capacity market in Ontario if generators became less willing to participate in capacity auctions.

2. Short-term government subsidization of payments to generators

An alternative and potentially simpler approach for smoothing the amortization of generation costs is for the government to subsidize, in the short to medium term, a portion of annual contracted payments to generators operating under existing contractual terms, and to reduce consumer bills by the corresponding amount. The subsidy each year would equal the difference in annual amortization currently charged (based on the contract duration) and the annual amortization amount calculated using the productive life of the asset. Interest rates on government debt (which would fund the short-term subsidy) are currently very low (2.4% on Ontario's recent 10-year bond issue), making this a relatively cost-effective strategy, though it would increase public sector debt. Generator contracts would be unchanged in this scenario. An advantage of this approach is that it avoids the administrative cost and uncertainty of renegotiating in a short time period multiple contracts on an individual basis with generators, and it can be implemented relatively rapidly. On the other hand, the government would ultimately still need to negotiate new contracts with generators when existing ones expire in the future, in order to ensure that generation assets continue to operate, where needed, beyond 20 years.

In both approaches, the quid pro quo is that consumers would pay more for electricity in the future to reflect the longer amortization period, specifically during the years beyond the end of the original contract and up to the useful life of the generation assets. Generator refurbishment and maintenance costs may also increase for older assets, implying upward pressure on rates when generator lives are extended beyond anticipated contract end dates.

3. Long-term contracting policy

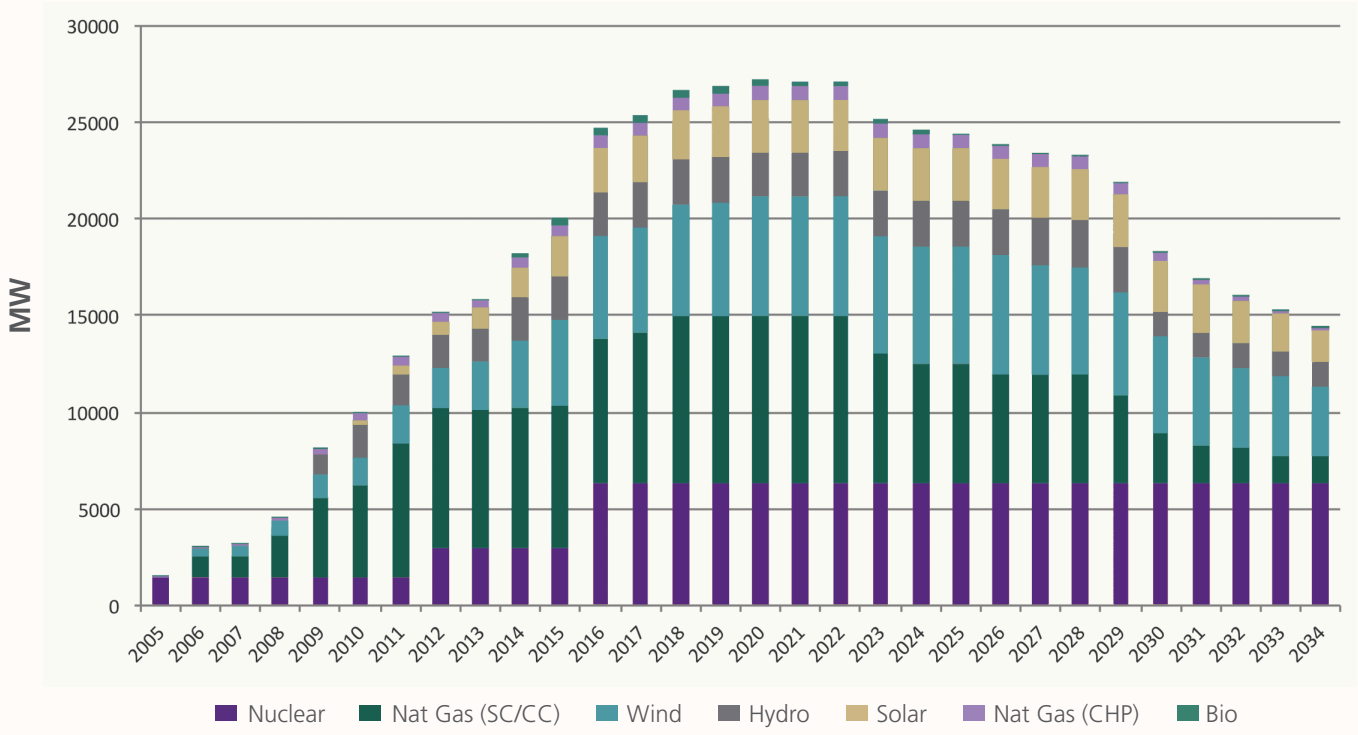
In future contracting exercises for new generation capacity, the government could invite generators to submit bids that include the proposed contract duration, and evaluate such bids on the basis of contract duration as well as on purchase price and other factors. Providing flexibility on duration would encourage generators to match the contract period to the expected productive life of the asset, resulting in (lower) annual amortization costs that reflect the true economic cost.

Preliminary Estimate of Impact of Smoothing Contracted Generation Costs

Estimating the potential impact on electricity bills from stretching out generation asset amortization periods requires detailed information on the terms of generator contracts, which are not publicly available. Assumptions based on available Ontario Energy Board (OEB) and IESO data, however, can lead to approximate calculations, albeit with circumscribed confidence in their accuracy.

Since 2004 the Ontario government has contracted for a significant amount of new generation capacity through competitive procurement exercises, bilateral negotiations, and feed-in tariff programs. By 2006, approximately 3,000MW of newly contracted capacity was operating; by the end of 2016, almost 25,000MW of contracted nuclear, natural gas, hydro, wind, solar, and bio-energy capacity was in place, representing a dramatic increase in procurement over a 10-year period. New procurement is expected to slow down in the coming years, reaching a peak of 27,000 MW accumulated contract capacity in 2020.

Figure 5: Contracted Generation Capacity by Fuel Type, 2005–2034

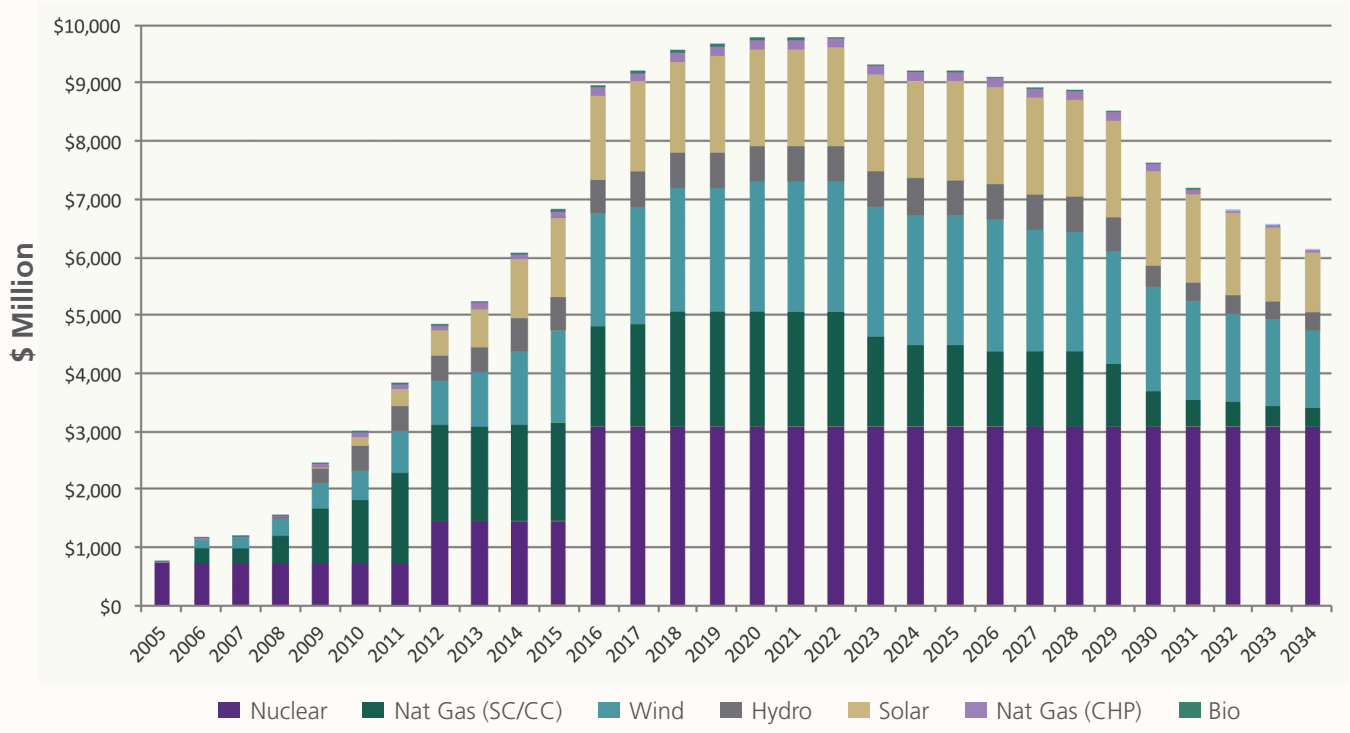


Source: IESO Progress Report on Contracted Electricity Supply, Third Quarter 2016. 'Other' fuel category omitted for simplicity.

Figure 5 shows the amount of accumulated contracted capacity for each fuel type for the 30-year period from 2005 to 2034. There has been a significant increase in contracted natural gas generation (representing 33% of total contracted capacity in 2017), as well as in nuclear (25%) and wind (22%). Solar, hydro, bio-energy and other fuels account for the remaining 20% of the 2017 total. OEB data on the average unit cost of electricity by fuel type, and IESO data on capacity utilization, leads to approximate estimates of the annual cost of contracted generation capacity.[11] In 2016, payments to contracted generators are estimated to have totalled approximately $9 billion. The estimated costs of contracted generation by fuel type are shown in Figure 6.

An important feature of Figures 5 and 6 is that they chart the contractual duration of capacity, not the useful productive lifespan of the generating assets. According to the IESO, contract terms vary from 5 to 21 years for bio-energy to 31 to 57 years for nuclear units. For natural gas and wind generation, as well as solar, contract periods appear to be somewhat shorter than typical estimates of expected lifespans (see Table 2), though lifespan estimates depend on a multitude of factors such as the specific technology type within a broad category, capacity utilization, and climate conditions. Some caution must thus be used in applying average industry lifespans to the specific case of generators in Ontario.

Figure 6: Estimated Cost of Contracted Generation, 2005–2034



Source: Author estimates. 'Other' fuel category omitted.

[11] Average effective power purchase rates per MWh for each fuel type are assumed to be as calculated in the OEB's Regulated Price Plan Report, November 2016. Rates range from $58/MWh for hydroelectric generation to $480 for solar. The same rates are applied each year in the analysis, though it is expected there will be variation in practice due to the changing mix of generation contracts with different purchase terms. Capacity utilization is estimated based on IESO reported installed capacity availability and actual power production for each fuel type in 2016 (http://www.ieso.ca/Pages/Power-Data/Supply.aspx)

Table 2: Durations of Generator Contracts and Expected Asset Lifespans[12]

	IESO contract duration (range)	IESO contract duration (mid point)	IEA lifespan estimate[13]	EIA lifespan estimate[14]
Natural Gas	10–20 years	15 years	30 years	30 years
Wind	20	20	25	30
Nuclear	31–57	44	60	
Hydro	20–50	35	80	
Solar	20	20	25	30

Source: IESO Progress Report on Contracted Electricity Supply, Third Quarter 2016.

Nonetheless, estimates of the impact of smoothing generation costs on consumer bills can be calculated under hypothetical scenarios where generator lifespans are assumed to extend to 30 years for natural gas plants and wind farms, and 25 years for solar PV (existing contracts are assumed to all be for 20 years). We do not model contract extensions for nuclear power given the specific nature of CANDU technology, or for hydroelectricity, bio-energy or CHP which are a relatively small share of total contracted capacity costs.

By the end of 2017, contracts for natural gas generation will be an estimated 8 years old on average, implying that 40% of original capital costs will have been amortized. Amortizing the remaining 60% of capital costs over the next 22 years instead of the originally-planned next 12 years suggests a reduction of up to 45% in annual natural gas generator capital charges may be possible in 2018. For wind power contracts, which will be on average 5 years old in 2017, the equivalent potential reduction in annual capital charges is up to 40% in 2018, and for solar 25%.[15]

In 2018, the total value of reductions in natural gas, wind and solar generation capital charges is estimated to be in the range of $1.5–$2.0 billion (see Figure 7), equivalent to approximately 8% of total expected electricity system costs. The amount of the annual reduction declines gradually over time in part due to interest costs on debt for the accumulated subsidy.[16] Additional asset refurbishment expenses in the latter part of the lifespan of generation assets would also reduce the amount of annual savings. After 2030, bills are forecast to be higher for several years than they would have been without smoothing.

[12] Retirement ages of generation plants also indicate lifespans. In the U.S., natural gas plants have often reached more than 40 years before retiring (Powell, N. America's Ageing Generation Fleet. Power magazine, 28 January 2013).

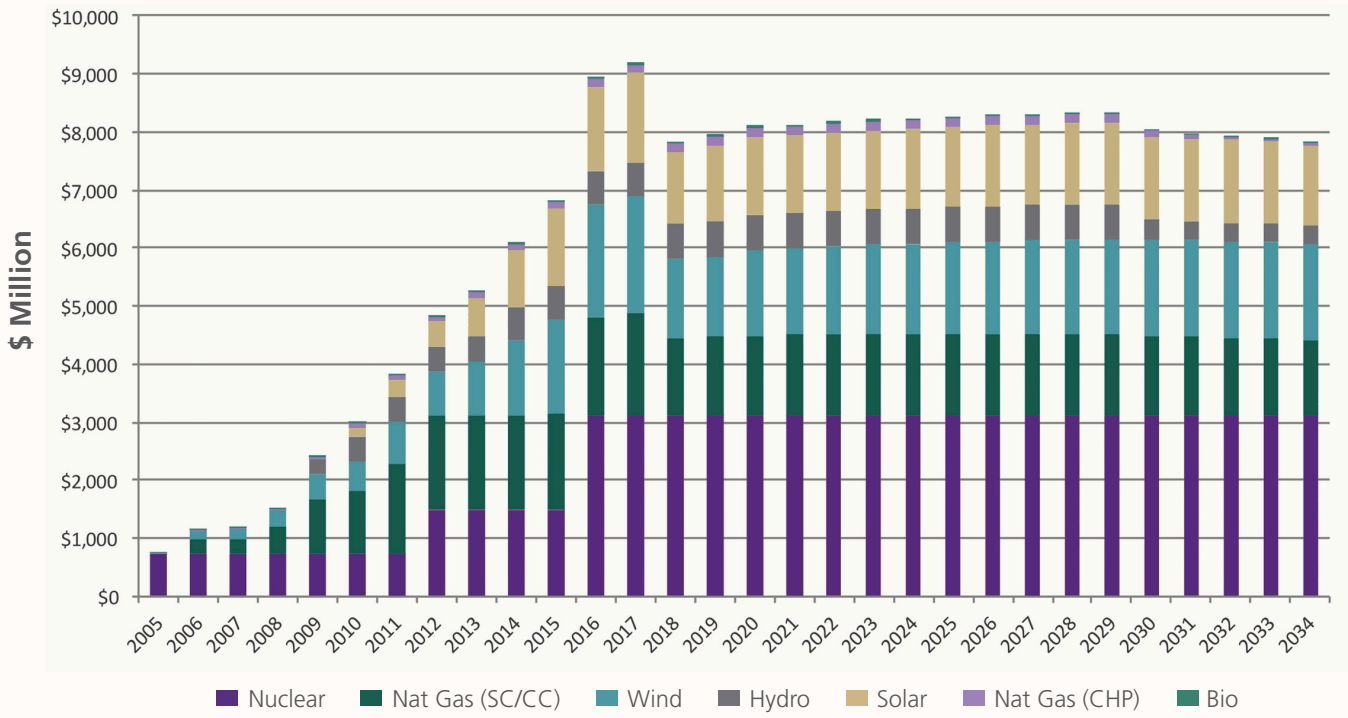
[13] International Energy Agency. 2015. Projected Costs of Generating Electricity.

[14] Energy Information Administration. 2016. Levelized Cost and Levelized Avoided Cost of New Generation Resources in the Annual Energy Outlook 2016. August 2016.

[15] Smoothing is applied only to the assumed capital component of unit generation costs. For wind and solar power which have zero fuel costs, and relatively low variable operation and maintenance costs, it is assumed that 90% of the power purchase rate is accounted for by capital costs. For natural gas capacity, which is assumed to have an average capacity utilization rate of 15% based on IESO data, and an average effective power purchase rate of $173/MWh (based on OEB estimates), the capital cost share is assumed to be 70%. Lower capital cost percentages would reduce the impact on current consumer bills of a smoothing policy.

[16] The interest rate on long-term debt is assumed to be 2.4%, which is the most recent rate on 10-year Ontario government bonds. Annual interest charges on the accumulated debt are assumed to be paid in full in each year by ratepayers through inclusion in electricity bills.

Figure 7: Estimated Smoothed Cost of Contracted Generation, 2018-2034



Source: Author estimates. 'Other' fuel category omitted.

These estimates are preliminary and reflect the specific assumptions of the model. Alternative assumptions would naturally lead to larger or smaller reductions in near-term contracted generation costs. They are also calculated for option (2) above in which the government finances the smoothing of contracted generator payments over an extended period, leaving original contracts unchanged. The alternative approach outlined in option (1), where generators bid competitively for new long term contracts that supersede existing ones, may deliver similar savings if all contracted generators participated and agreed to equivalent reductions in power purchase rates.

While smoothing generation costs can ease the transition for current households and firms to a higher cost electricity system, there are risks and limitations associated with such a policy. One risk is that future changes in markets, technologies, government policy, or demand for electricity may reduce the need for longer-lived generation capacity, potentially creating future stranded costs. In addition, an important consequence of smoothing is that it raises questions about inter-generational equity since consumers in the long-term future will contribute towards a larger share of generation capital costs, and consumers will also pay interest costs associated with short-term subsidization of rates. Some commentators have advocated for the status quo, citing the imposition of interest costs on future consumers as inequitable. However, the corollary to this argument is that the current approach of amortizing generation capital costs too quickly relative to expected lifespans is effectively a subsidy by current ratepayers of future consumers, who would have usage of the assets but not have to contribute to their capital costs. In addition, as economic growth continues, future generations will be wealthier than today, making any given level of electricity costs more affordable.

CONCLUSION

Wholesale electricity markets in many jurisdictions exhibit a variety of imperfections that affect investment, production, and consumption decisions. Wholesale market prices for electricity, including in Ontario, often do not provide an accurate representation of the full economic cost of production, which consists of short-run variable costs (e.g. fuel costs) and long-run fixed capital costs. Wholesale prices are often determined instead by short-run variable costs, especially in environments where there is excess generation capacity, implying that additional mechanisms—such as long-term power purchase contracts—are needed to enable generators to recover their full costs.

Since 2006, the hourly market price for electricity in Ontario has steadily fallen, owing to a decrease in demand and the addition of new capacity resources with low short-run variable costs. At the same time, the underlying cost of generation has increased as the province has made investments in new and refurbished capacity to ensure system reliability and to replace coal, and also added wind and solar supply—which are more costly than nuclear, hydro-electric, and coal generated power—in order to achieve environmental goals. The full cost of generation is reflected in the sum of the hourly wholesale market price (HOEP) and Global Adjustment, which enables generators to recover both short-run variable and long-run fixed costs of electricity production. The Global Adjustment is thus an important component of ensuring a well-functioning generation sector.

Despite the rapid escalation in generation costs that Ontario has experienced since 2005, there is an economic rationale for smoothing rates and reducing electricity bills for consumers in the short-run. Amortizing contracted generation capital costs over longer periods to match with the productive lifespans of the assets, which are often longer than the contracted terms, could reduce current electricity system costs by approximately eight percent, a preliminary estimate. Under this approach, the cost of generation charged on consumer bills would more closely reflect the true economic cost of the assets. A policy of smoothing generation costs through government subsidies in the short-term would incur interest charges and would lead to higher bills in the long-term, raising the challenging issue of inter-generational equity.

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From:	Nelms, Scott (MOF)
To:	Gwendolynne Young (ENE)
Cc:	Ronald Kwan; Nancy Kennedy (MOHLTC)
Subject:	Rate Mitigation Implementation
Date:	Tuesday, May 23, 2017 9:23:11 AM

Good morning,

Please see the following summary of Thursday's Fair Hydro plan discussion:

GA Refinancing

- Ministry working on motions which need to be filled on Thursday. Draft motions to be shared early next week.
- Ministry also working on regulations for mid and end of June timelines
- OPG to set up SPV after regulations in June, which requires rating agencies review expected by the end of July
    - Documents will include commentary on credit worthiness
    - Potential engagement of Moody's/S&P/DBRS
- Agencies (OPG/IESO/OEB) to provide critical paths for the next meeting
- OPG to go to market in Sept/Oct
- IESO letter went to OFA to request $2.5B total credit
- IESO expecting purchase and sale agreement by end of June
- IESO memo and KPMG accounting opinion has been delivered to Ministry
- OPG memo and E&Y accounting opinion has been delivered to Ministry
- IESO is producing a document to respond to AG questions – to be shared with TBS for review
    - IESO to offer FAO separate meeting with KPMG
    - FAO report to be provided to MO on Tuesday and be released on Wednesday
- OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge
- Indemnities for Boards are tracking forward to be in place when legislation comes into force
- Guarantees for dealers are still being explored and to be done in conjunction with rating process
    - Time is required to appropriately brief decision makers
    - OPG to provide draft version of Term Sheet to Ministry of Energy

RRRP, OESP and FN:

- Ministry working on regulation details
- OESP regulations will be the focus of the post-July 1 work stream
- Ministry working with 5 Chiefs to determine the qualification of FN rebate based on existing processes
- Ministry working to minimize number of individuals who qualify for credits but don't receive them on July 1
- OEB RPP calculation needs to be completed 15 business days from Royal Assent

From: Gadi Mayman
To: Ronald Kwan
Cc: Usman Zahid; Anna Strathy
Subject: Rate Mitigation meeting
Date: Monday, October 30, 2017 10:16:15 AM

Hi Ron, I just forwarded the new meeting invite, as they've changed this week's Thursday meeting to Wednesday at 8 am. I can't make Wednesday morning, so I hope that you'll be able to make it. If you can't, I'll ask Ken if he can.

Thanks,
Gadi

From: Ronald Kwan
To: Deena Padamadan
Subject: Re: CEFD and MO | Bi-Weekly - draft Agenda
Date: Tuesday, May 02, 2017 11:53:09 AM
Attachments: Annotated Agenda MO May 2 2017 clean v2_Markup.docx

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Hi Deena,

Let's keep it shorter. Some suggested edits.

Thanks,
Ron

From: Ronald Kwan
Sent: May 2, 2017 9:58:34 AM
To: Deena Padamadan
Subject: Re: CEFD and MO | Bi-Weekly - draft Agenda

Hi,

I'll have some edits.

Ron

On May 2, 2017, at 9:56 AM, Deena Padamadan <Deena.Padamadan@ofina.on.ca> wrote:

> Hi Ron,
>
> Just checking if you were ok with the draft agenda for today's Bi-weekly meeting?
>
> Thanks,
> Deena
>
> ---
>
> **From:** Deena Padamadan
> **Sent:** Monday, May 01, 2017 2:54 PM
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** RE: CEFD and MO | Bi-Weekly - draft Agenda
>
> Hi Ron,
>
> Please find attached the updated draft with Cochrane and OPG Business Plan sections added.
>
> Thanks,
> Deena

From: Ronald Kwan
Sent: Monday, May 01, 2017 1:15 PM
To: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: CEFD and MO | Bi-Weekly - draft Agenda

Hi Deena,

There should be brief discussion of Cochrane too please.

And OPG's Business Plan TB submission and concurrence.

Thanks,
Ron

On May 1, 2017, at 12:31 PM, Deena Padamadan <Deena.Padamadan@ofina.on.ca> wrote:

> Hi Ron,
>
> Please find attached the draft Bi-Weekly Agenda (blackline and clean) for your review. Regarding the Recovery of Standstill NUG payments, a note is also attached that SPFB believes you would likely want to review for the topic.
>
> Thanks,
> Deena
>
> <Annotated Agenda MO May 2 2017 clean.docx>
> <Annotated Agenda MO May 2 2017 blackline.docx>
> <Recovery of Standstill NUG payments v5.docx>

<Annotated Agenda MO May 2 2017 clean v2.docx>

EXECUTIVE SUMMARY AND ACTION ITEMS

1. Green to Gold Hyatt eFlex – Equity Injection

Staff from GCEB, GSA, capital markets, Advisory on Finance, and OPC's contractor discuss the mechanics behind an equity injection between the Portolano and OPC in connection with the Hyatt eFlex lease.

- Our GCEB, and PACA staff are working to establish funding and make required on the Portolano project prior to the May 15th date.

2. BTAS Credit Facility – BETRA for Review

- BTAS tasked the potential requirements for financing the Tom Hyde Newseat Courthouse.
- The preferred way relevant of the BTAS rating on the existing BETRA credit facility (purchase the BTAS regulatory asset).
- Under the proposed Term Sheet, borrowing would be subject to the following conditions:
- One of the major uses of the proceeds BETRA would facility is to provide liquidity into the project's Tranche A capital structure (includes funding GSA payment of the Tenant Improvement Allowance and Project Development Costs) and the Green Financing Support Program (GFSP), the venture-collaboration programs.
- The BETRA facility was not intended to provide long-term financing.
- In the Minutes it Director approved Resolution No. 2016, facilitates the leading organizations between the GCEB and BTAS, staff that one of the Guidelines for the BTAS restriction of 10% to 20% successful, providing collateral eligibility for the BTAS.

3. **Cordovan Solar Project Issue**

- The Cordovan Solar Project (CSP) submitted its application to this Aboriginal Loan Guarantee Program (ALGP) in May 20, 2021.
- The CSP is a 150 MW solar photovoltaic project located in the Cordovan Valley, approximately 40 km south of Cordovan City.
- The CSP has been under construction since March 2022 and is scheduled to reach commercial operation in December 2024.
- Construction activities across the CSP site were that the CSP is only performing at 78% of anticipated output during peak summer months (January–March). The underperformance is attributable to inverter clipping events and panel degradation at rates exceeding those observed at higher temperatures—and twice accumulation of snowfall compared to acreages for comparable projects.
  - The EGC has experienced significant cost overruns due to foundation issues. The increased capital costs (~25%) is now borne by Northland Power Inc. (Northland), a partner in the CSP.
  - Northland is a leading developer of renewable energy projects in Canada and internationally, with a strong track record in the solar industry.
- The CSP's application with this investment as a credit metric to the application on whether the project is to meet the guarantee beyond the [redacted], assessing actual output against the P50 estimate used in the original financial model.
  - Generally, this is CSP would miss this base, based upon a statistically conservative analysis compared to those as as opposed to having annual output data.
  - [redacted] [redacted] [redacted]

- On April 30, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to remove [redacted] payments in excess of $1.5 billion from its debt and deficit calculations. [redacted] OEFC's debt reduction process over a six month period to ensure greater consistency with the committed debt reduction path of the Fiscal Sustainability Plan.
  - OEFC Legal has advised that [redacted]
- On May 2, 2017 the Minister of Finance responded to the Minister of Energy's letter [redacted] OEFC's debt reduction process over a six month period to ensure greater consistency with the committed debt reduction path of the Fiscal Sustainability Plan. [redacted] would be sufficient for OEFC to initiate economy level tax rebates.
- On May 3, 2017 the Minister of Energy announced the Fiscal Sustainability Plan. [redacted] Ministry of Energy, Cost of Power to the IESO and OEFC by negotiating their recovery of the retroactive payments more over time. [redacted]
- **OEFC 2017-2018 Business Plan**
- OEFC submitted its 2017-20 Business Plan to the Ministry of Energy for concurrence, and they'll be/will be submitted to Treasury Board for review in May.
- OEFC's 2017-18 Business Plan will be published as per the OEFC's role in the Fair Hydro Plan.
- OEFC is currently reviewing the draft TBL submission materials and will provide with TBS, on the assessment rate.

From:	Ronald Kwan
To:	Deena Padamadan
Subject:	Re: CEFD and MO | Bi-Weekly - draft Agenda
Date:	Tuesday, May 02, 2017 12:14:37 PM
Attachments:	Annotated Agenda MO May 2 2017 clean v3.docx

Thanks Deena.

I likely forgot to save before sending.

Ron

From: Deena Padamadan
Sent: May 2, 2017 12:08:29 PM
To: Ronald Kwan
Subject: RE: CEFD and MO | Bi-Weekly - draft Agenda

Thanks Ron. You had made an insertion for a point on Cochrane – I'm not sure it's just a typo to be deleted or you meant to write something more:

The Applicant purchasedThe Applicant is owned by two First Nations, one was the recent beneficiary of an ALGP guarantee for its ownership interest in the Peter Sutherland Sr. Generating Station.

From: Ronald Kwan
Sent: Tuesday, May 02, 2017 11:53 AM
To: Deena Padamadan <Deena.Padamadan@ofina.on.ca>
Subject: Re: CEFD and MO | Bi-Weekly - draft Agenda

Hi Deena,

Let's keep it shorter. Some suggested edits.

Thanks,
Ron

From: Ronald Kwan
Sent: May 2, 2017 9:58:34 AM
To: Deena Padamadan
Subject: Re: CEFD and MO | Bi-Weekly - draft Agenda

Hi,

I'll have some edits.

Ron

On May 2, 2017, at 9:56 AM, Deena Padamadan <Deena.Padamadan@ofina.on.ca> wrote:

> Hi Ron,
>
> Just checking if you were ok with the draft agenda for today's Bi-weekly meeting?
>
> Thanks,
> Deena
>
> ---
>
> **From:** Deena Padamadan
> **Sent:** Monday, May 01, 2017 2:54 PM
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** RE: CEFD and MO | Bi-Weekly - draft Agenda
>
> Hi Ron,
>
> Please find attached the updated draft with Cochrane and OPG Business Plan sections added.
>
> Thanks,
> Deena
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Monday, May 01, 2017 1:15 PM
> **To:** Deena Padamadan <Deena.Padamadan@ofina.on.ca>
> **Subject:** Re: CEFD and MO | Bi-Weekly - draft Agenda
>
> Hi Deena,
>
> There should be brief discussion of Cochrane too please.
>
> And OPG's Business Plan TB submission and concurrence.
>
> Thanks,
> Ron
>
> On May 1, 2017, at 12:31 PM, Deena Padamadan <Deena.Padamadan@ofina.on.ca> wrote:
>
> > Hi Ron,
> >
> > Please find attached the draft Bi-Weekly Agenda (blackline and clean) for your review. Regarding the Recovery of Standstill NUG payments, a note

is also attached that SPFB believes you would likely want to review for the topic.

Thanks,
Deena

<Annotated Agenda MO May 2 2017 clean.docx>
<Annotated Agenda MO May 2 2017 blackline.docx>
<Recovery of Standstill NUG payments v5.docx>
<Annotated Agenda MO May 2 2017 clean v2.docx>

ANNOTATED AGENDA
MO UPDATE: May 2, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection.

2. IESO Credit Facility – $975M for Market

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - The possibility was raised of the IESO relying on the existing $975M credit facility provided by the OFA to provide short term financing until the OPG SPV purchases the IESO regulatory asset.
    - It was also discussed to have a new, separate facility to better track the amounts related to the FHP.
    - One of the main uses of the current $975M credit facility is to provide liquidity into the electricity market to support various initiatives including the Regulated Price Plan (RPP), the Rural or Remote Electricity Rate Protection (RRRP), the new Ontario Electricity Support Program (OESP), the various conservation programs and overall market liquidity.
    - The $975M facility was not intended to provide long-term financing.
- In the Minister's Directive signed November 28, 2016, facilitates the lending agreement between the OFA and IESO until the end of 2019 and has the term restriction of 28 to 95 days, essentially providing short-term liquidity for the IESO.

3. Cochrane Solar Project Issue

- The Cochrane Solar Project (CSP) submitted its application to the Aboriginal Loan Guarantee Program (ALGP) early in 2015.
    - The Applicant purchased its equity interest in October 2015.
    - The Applicant is owned by two First Nations, one was the recent beneficiary of an ALGP guarantee for its ownership interest in the Peter Sutherland Sr. Generating Station.
    - The other First Nation has shown frustration at the lack of progress on the ALGP application for the CSP.

- In early 2017 ALGP staff became aware that the CSP is only performing at 75% of forecast for the nineteen months ended January 2017. The underperformance is attributable to snow accumulation on the panels. Winters to date actually witnessed higher temperatures and lower accumulation of snowfall compared to averages for the area.
    - The CSP has also experienced significant cost overruns due to foundation issues. The increased capital costs (~25%) were borne by Northland Power Inc. (the Applicant's Partner "NPI").
- For this application staff have considered an outright decline to the application or alternatively propose to size the guarantee based upon, e.g., accepting actual output to date as reflective of the longer term average.
    - Generally, the ALGP would size the loan based upon a statistically conservative analysis compared to forecast as opposed to having actual output data.
    - Even based on actual data to date, the loan supportable would be an estimated about half the amount applied for to be guaranteed – TBD, subject to further due diligence.
- If the partner can develop an effective and successfully evidenced snow clearing plan, a guarantee may be increased at a later date. It should be noted that snow clearing is not well developed in the solar industry and that a guarantee at this time would reflect a more aggressive view to output than the ALGP would normally employ and as such the risk of a call under the guarantee would increase.
- Also noteworthy is that the partnership between the Applicant and NPI is not unwound in the event that a guarantee is not awarded. NPI would then be in a realization position of monies advanced to the Applicant with the possible outcome that the ownership interests of the Applicant are extinguished by NPI.

4. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
    - OEFC Legal has advised that aside from a direction an indication (via email or letter) from the Minister that it concurs with the Minister of Energy's request that the recovery be done over six months would be sufficient for OEFC to initiate recovery over six months.
- In the past, for the recovery of retroactive payments to applicant NUGs (who were party to the lawsuit), the Deputy Minister of Energy sent a letter to the CEO of OEFC requesting that recovery of the retroactive payments occur over three months. While the Minister of Energy did not write the Minister of Finance, staff for OEFC did consult with the Minister's Office on this request.

5. OPG 2017-19 Business Plan

- OPG submitted its 2017-19 Business Plan to the Ministry of Energy for concurrence, and the Plan will be submitted to Treasury Board for review in May.
- The OPG BP submission pre-dates the proposed plan for OPG's role in the Fair Hydro Plan.
- CEFD is currently reviewing the draft TB submission materials and will work with TBS on the assessment note.

From: Ronald Kwan
To: Gavin He
Subject: Re: CEFD and MO | Bi-Weekly
Date: Wednesday, April 19, 2017 10:10:37 AM
Attachments: Annotated Agenda MO April 18 2017_CEFD_v3.docx

Hi Gavin,

That's ok. I can print here.

Ron

From: Gavin He
Sent: April 19, 2017 10:05:36 AM
To: Ronald Kwan
Subject: Re: CEFD and MO | Bi-Weekly

Hi Ron,

I am almost at the office now and will print out the materials soon.

For this time, I will not circulate it to EIGS for input then.

Regards,
Gavin He

On Apr 19, 2017, at 10:04, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Marianne,
>
> Fine with me.
>
> Ron
>
> ---
>
> **From:** Nguyen, Marianne (MOF) <Marianne.Nguyen@ontario.ca>
> **Sent:** April 19, 2017 10:02:59 AM
> **To:** Gavin He; Ronald Kwan; Lesau, Victoria (MOF)
> **Subject:** RE: CEFD and MO | Bi-Weekly
>
> The Minister is running late so our briefing got pushed to 11am. Can we swap our weekly to 10:30?
>
> -----Original Appointment-----
> **From:** Gavin He [mailto:Gavin.He@ofina.on.ca]
> **Sent:** April-18-17 11:10 AM
> **To:** Gavin He; Kwan, Ronald (OFA); Nguyen, Marianne (MOF); Lesau, Victoria (MOF); Kennedy, Nancy (MOF); Skoberne, Vivienne (MOF); Nelms, Scott (MOF); Waddell, Colleen

(MOF); Young, Gwendolynne (MOF); Maimona, Mashoka (MOF)
Subject: CEFD and MO | Bi-Weekly
When: April-19-17 11:00 AM-11:30 AM (UTC-05:00) Eastern Time (US & Canada).
Where: Deputy's Boardroom, 7th Floor, Frost South

Hi all,

This is a bi-weekly meeting invite for CEFD/DMO/MO. CEFD will provide an agenda prior to the meeting.

Regards,
Gavin He

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

ANNOTATED AGENDA
MO UPDATE: April 19, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection.

2. IESO Credit Facility – $975M for Market

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - The possibility was raised of the IESO relying on the existing $975M credit facility provided by the OFA to provide short term financing until the OPG SPV purchases the IESO regulatory asset.
    - One of the main uses of the $975M credit facility is to provide liquidity into the electricity market to support various initiatives including the Regulated Price Plan (RPP), the Rural or Remote Electricity Rate Protection (RRRP), the new Ontario Electricity Support Program (OESP), the various conservation programs and overall market liquidity.
    - The $975M facility was not intended to provide long-term financing.
- If IESO required longer-term financing, additional due diligence and considerations on term and rate, accounting treatment, and appropriate approvals would be required.
    - OEFC or OFA involvement (in addition to managing the Provincial borrowing plan, including for any capital contribution / equity injection into OPG) in providing short or longer-term financing would potentially require government policy approval and a revised Minister's Directive.
- In the Minister's Directive signed November 28, 2016, facilitates the lending agreement between the OFA and IESO until the end of 2019 and has the term restriction of 28 to 95 days, essentially providing short-term liquidity for the IESO.

Alderville Insurance Claim

- Alderville Community Development Corporation (Alderville), a holder of a guarantee under the Aboriginal Loan Guarantee Program, has settled an insurance claim without the consent of the Province. Consent is required under the guarantee.
- The Project experienced a prolonged equipment failure from July 22, 2015 to December 5, 2015, with no electricity generation during this time (136 days).
- Alderville accepted a settlement of $597,099.74 less a $250K deductible or a net amount of $347,099.74, without seeking the consent of the Province.
- Internal estimates valued loss revenues from the business interruption to be closer to $400,000, which is not inconsistent with the amount on which the Borrower settled the claim.
- Staff, on learning of the settlement, responding via email providing a gentle warning about the missed obligation under the guarantee.

3. ALGP: Coral Rapids

- Coral Rapids Power Corporation ("CRP"), wholly-owned by Taykwa Tagamou Nation ("TTN"), has been provided a loan guarantee under the ALGP on April 18, as conditions precedent were fulfilled.
    - The guaranteed loan allows CRP to finance its investment in a partnership, which was formed to own and operate the 28 MW Peter Sutherland Sr. Generating Station, at a lower interest rate than the alternative (a loan from its partner).
    - The briefing package was sent at the end of March and sign off for execution of the loan guarantee was received April 4th.
    - MoF Legal held Minister Sandals' signatures in escrow until the conditions precedent are satisfied.
    - Financial close was planned for April 18 so that the borrower could meet its equity contribution deadline.

4. ALGP: Wataynikaneyap Transmission Project

- The First Nation proponents in a transmission project intended to connect 16 remote communities in northwestern Ontario has submitted an application to the Aboriginal Loan Guarantee Program (ALGP) to support its planned equity investment in the project.
    - The First Nations would be a partner in Wataynikaneyap Power L.P., which was selected by the Province in July 2016 to connect the remote communities.

- Given the project's estimated capital costs of approximately $1.3 billion, the loan guarantee request would exceed the ALGP's $50 million cap for guarantees.
    - The applicant's current loan guarantee request is $300 million. However, this amount also exceeds the ALGP requirement that the guaranteed amount represent no more than 75 per cent of the cost of the proponent's equity investment.

5. IESO FOI Request

- The Independent Electricity System Operator (IESO) is processing a Freedom of Information request which includes requests for
    - A breakdown of generation costs by energy sources for the years 2007 to 2013, inclusively and 2015.
    - A breakdown of gas/oil generation costs for the years 2007-2015 between costs for energy purchased and cost of capacity.

- Staff have previously provided the following OEFC information to IESO which is used in the draft response to this request.
    - NUG cost information organized by fuel type and broken down into amounts recovered through the market and Global Adjustment.
    - Amounts paid under a Contingency Support Agreement between OEFC and OPG.

- None of the OEFC information that would be used in the response to the FOI request is commercially sensitive.
    - The NUG generation costs are aggregated by fuel type and combined with costs for other generators.
    - The Contingency Support Agreement payments are aggregated in an "other" category. These costs were also published in OPG's financial statements.

6. OPG 2017-19 Business Plan

- OPG submitted its 2017-19 Business Plan to the Ministry of Energy for concurrence, and the Plan will be submitted to Treasury Board for review in May.
- The OPG BP submission pre-dates the proposed plan for OPG's role in the Fair Hydro Plan.
- CEFD is currently reviewing the draft TB submission materials and will work with TBS on the assessment note.

OTHER ISSUES

7. FAA Section 28 Modernization

- An OFA/MOF/TBS working group has developed options for modernizing s.28 of the FAA.
- Proposed amendments to FAA s.28 have been drafted to:
    (i) give the Minister of Finance or the President of Treasury Board the authority to prescribe in regulation public entities or classes of public entities that would be subject to s. 28; and
    (ii) give the LGIC the authority to make regulations to define terms used in section 28 that are not already defined in the Act.

8. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance has been made.

9. FSCO – Stelco Pension Issue

- As part of a transaction that will allow Stelco to come out of bankruptcy, the parent of Stelco, US Steel, has proposed a sale to Bedrock Industries. This sale limits Bedrock's exposure to the pension plan liabilities.
- The Superintendent of FSCO will temporarily be the nominal administrator of Stelco's 5 pension plans and will be responsible for the related administrative contracts. As the Superintendent is also the regulator, he will subcontract this responsibility in a sole source contract to an administrator.
- The assumption of these contracts by FSCO will require Treasury Board and Minister of Finance s.28 approval.

From:	Veinot, Cindy (TBS)
To:	Ken Kandeepan
Cc:	Hosick, Sarah (TBS); Scott Nelms (ENERGY); James Devine; Carlos Yep; Ronald Kwan; Hresa Gavaris; John Psinas; John Kim; Anna Strathy
Subject:	Re: FHP Issues
Date:	Thursday, June 29, 2017 11:57:05 AM

Yes. Let's find a time next week. Cindy

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Ken Kandeepan
Sent: Thursday, June 29, 2017 11:54 AM
To: Veinot, Cindy (TBS)
Cc: Hosick, Sarah (TBS); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Kwan, Ronald (OFA); Gavaris, Hresa (OFA); John Psinas; Kim, John (OFA); Strathy, Anna (OFA)
Subject: FHP Issues

Hi Cindy

We had a meeting this week on a number of issues raised by Scott and we felt that it would be useful for Scott, Ron, a couple of our senior Capital markets colleagues and me to meet with you for a quick discussion on the following. If you are amenable, Hresa Gavaris, Gadi's admin specialist has kindly agreed to work with Sarah to set up the meeting 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 date 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 Trust – a number of options are available for determining the coupon. As Gadi pointed out, issuance at the upper end benefits OPG while the opposite, benefits the ratepayer in terms of the total 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 is proposing an asset management fee of 10bps on the Assets Under Management (AUM). Assuming the AUM is equal to the debt or the investment asset, 10bps amounts to $25 million per annum in 10 years' time (assume total debt of $25 billion). 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

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by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Gavin He
To: Ronald Kwan
Cc: Deena Padamadan
Subject: Re: MO Bi-weekly Agenda
Date: Thursday, June 08, 2017 10:31:02 PM
Attachments: Annotated Agenda MO June 12 2017_CEFDv1.docx

Hi Ron,

Please find attached the draft annotated agenda for your review. Please note that SIFB has no items to report for this bi-weekly.

Regards,
Gavin He

From: Gavin He
Sent: Tuesday, June 6, 2017 4:53 PM
To: Francisco Chinchon; John Kim; Mara Bakic; Emily Kerr
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, June 12th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, June 8th, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MO UPDATE: June 12, 2017

1. IESO Credit Facility – FHP Requirements

- IESO raised the requirements for financing the Fair Hydro forecast variances.
    - A letter requesting incremental credit facility room of $1.5 Bn in potential borrowing requirements is requested, composed of a new FHP-purpose facility of $2 bn and a reduction of the existing $975 million facility to $475 million.
- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
- To allow for this, an Order-in-Council (OIC) will be required for the OFA to borrow money from the Province. The approval package has been provided to the Minister for signature and it's tracking towards the June 27th LRC date, together with Energy's LRC submission.

2. Section 28 Approval for Indemnities

- The Ministry of Energy staff are putting together an approvals package for the Minister of Finance, pursuant to Section 28 of the Financial Administration Act, to enter into Indemnity Agreements in favour of OPG, including its subsidiaries, and the IESO with respect to their respective roles in carrying out the implementation of the Ontario Fair Hydro Plan.
    - The indemnities are expected to provide coverage for both organizations and their respective Board members and employees involved in implementing the plan.
    - IESO and OPG have stated that these indemnities are required for their participation in the implementation of the OFHP Act.
    - In order for the OFHP Act to be successful, the draft materials, under review by MOF Legal and CEFD staff, indicate that it is recommended by the Minister of Energy that the Minister of Finance approve this request.
- As currently proposed, the Minister will be requested to consider and sign the section 28 approval forms and the transmittal letter to Minister Thibeault.
    - Draft materials from Energy state that the likelihood of this indemnity being called upon is low and that the fiscal exposure is unquantifiable at this time.
    - Energy has confirmed in its draft request letter that it bears responsibility for funding, within its approved allocation, for payments associated with the indemnities provided under the Agreements.
- CEFD staff is working on a note and analysis on the request with MOF Legal and TBS staff, including OPCD members.
        - A set of questions on the draft materials have been provided to Energy Legal and relevant policy sections of the ministry.

3. MNO Solar Inc. ALGP Application

- The Ministry of Finance is continuing negotiations with MNO related to broadening the ownership of Hydro One to MNO. While the current position is to offer $15M in seed capital for an MNO investment vehicle, that offer was declined by MNO. MNO has asked for assistance related to its ALGP application.
- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate name-plate capacity of about 13 MW. All sites have reached commercial operation.
- In July 2016, MNO Solar Inc. received a conditional offer of a loan guarantee under the ALGP for approximately $6.5 million. MNO accepted the conditional offer in August 2016.
- At this point, there is no reason to believe that the guarantee agreement will not be successfully concluded within usual ALGP parameters.
- OFA comments on some key documentation, including the limited partnership agreement, and intercompany loan agreements, remain unaddressed. The process of documentation negotiation between parties usually takes several months, though timing could be shorter or longer.
- Due to the passage of time, staff have considered basing the loan size on a 15 year term which is 75 per cent of the term of the FIT contract, as opposed to 75 per cent of the remaining FIT contract so as to keep the amount of the guarantee at approximately $6.5 million rather than having to reduce it to approximately $6 million given the sensitivities to the file. The concept is to leave a 25% buffer (5 years in this case) to deal with any workout period if the loan repayment is in any difficulty, however given that the projects are operational and operating at projected levels, any project construction risk that is applicable to preoperational projects is not applicable and a three year buffer can be comfortably supported when seeking final guarantee approval which is anticipated to be sought in the coming weeks.

4. Cochrane Solar Project Update

- The Applicant and its project partner continue to consider whether they wish to pursue a guarantee well below the amount of the application (approximately 50%) with a provision for a subsequent follow on amount until a proven snow clearing plan can be demonstrated.
- While the partner is interested in moving ahead on this basis, the advisor to the Applicant has advised that they believe this project may not be viable and are reconsidering the application altogether.
- Staff are waiting for confirmation whether they wish to drop the application.

5. Other Applicants to the ALGP

- Staff are continuing to work on ALGP applications for three wind electricity generating projects (the 300 MW Henvey Inlet Wind project which is requesting a late September close of the guarantee, the 100 MW Belle River Wind project where

due diligence is under way, and the 100 MW North Kent Wind project which is understood to mirror the Belle River project in most respects – the latter two were awarded power purchase agreements under the Green Energy Investment Agreement as), and the Wataynikaneyap transmission project.

6. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as they believe a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
- In late May, staff sent a proposed termination agreement to Northland that provides assurance to Northland of OEFC's continued calculations of the indices on the basis of the original PPA. As Northland was unwilling to accept that termination agreement, staff sent a further draft which also provides further assurance that OEFC will calculate the indices on the basis of the judge's decision in the Global Adjustment lawsuit.
- Staff are awaiting a response from Northland.

7. Fair Hydro Plan – NUG Impact

- The Fair Hydro Plan (FHP) will reduce the amounts charged to electricity consumers. Rates under some NUG contracts escalate on the basis of indices which reflect amounts charged to electricity consumers.
    - As such, under current legal advice, OEFC will have to exclude deferred GA costs under the calculations and would require direction from the Minister, supported by a request from the Minister of Energy in order to change the way the indices are calculated and include deferred GA costs as these costs are incurred rather than when they are ultimately recovered from ratepayers.
- While deferred costs will eventually be recovered from ratepayers and reflected in the indices, some NUG have PPAs that will expire before the repayment phase of the FHP and would be negatively impacted by the cost deferral under the plan.
- Staff are currently initiating discussions with Energy on this matter to request whether the Minister of Energy would provide policy support for revising the calculation of the PPA price indices and also to ensure that the information necessary to calculate the affected indices will be made available.

8. Constance Lake Meeting Request

- ENERGY has recently reached an agreement with Constance Lake First Nation (CLFN) that will provide the First Nation with a Hydrology Adjustment Adder in respect of generation from the Nagagami facility (holder of a NUG contract).
    - In order to facilitate further economic benefit to CLFN, ENERGY has requested to the Minister of Finance that discussions take place between CLFN, Brookfield and OEFC regarding refinancing of Generator Debt that Nagagami owes to OEFC. CLFN has also sent a request to the Minister of Finance to initiate these discussions and to enter into a similar framework agreement the way it did with MIRR and ENERGY.
- OEFC cannot enter into a framework agreement without a direction from the Minister of Finance. Independently taking such an action would be outside of OEFC's mandate.
    - OEFC is mandated with managing NUG contracts until their conclusion. OEFC cannot enter into new agreements outside the PPAs.
- Based on the request in the letter, staff can set up a meeting with CLFN, Brookfield and staff for OEFC to provide Brookfield and CLFN an opportunity to provide any relevant information and for staff for OEFC to request further information required to understand and assess Brookfield and CLFN's position.
    - OEFC does have a policy under which it can provide assistance to NUGs if they are able to make a claim of financial duress.
- In response to the letter from CLFN to the Minister, staff for OEFC will propose a response, copying the Minister of Energy.

OTHER ISSUES

9. Stelco Transaction

- Treasury Board approval of Stelco transaction will be sought by OGBESI on June 13, 2017. Transaction is expected to close on June 30, 2017.

- Minister of Finance approval will be required for three MoF loans, contingent liabilities contained in pension-related administrative contracts that will be assumed by FSCO, contractual release to Stelco and the land vehicle for certain legacy environmental liabilities, indemnification of directors and officers of US Steel and Stelco, and Indemnification of U.S. Steel and United States Steel and Carnegie Pension Fund in respect of third party claims, for all liabilities and claims related to Stelco's operations, including historical environmental and pension liabilities.

    - Formal request for s. 28 approvals will be forthcoming from OGBESI and MOECC.

10. College Class Exemption Regulation

- MAESD Minister will be sending shortly a request to Minister of Finance for limited college class exemption regulation under based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD will be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

11. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.
- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.

From: Ronald Kwan
To: Gavin He
Subject: Re: MO Bi-weekly Agenda
Date: Tuesday, February 07, 2017 3:24:25 PM
Attachments: Annotated Agenda MO Feb 06 2017_v2.docx

Hi,

I made a few more changes on the ONFGA section.

Ron

From: Ronald Kwan
Sent: February 6, 2017 6:19 PM
To: Gavin He
Subject: RE: MO Bi-weekly Agenda

Thanks Gavin.

I also made some edits to the ONFA item.

Ron

From: Gavin He
Sent: February-06-17 17:07
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Thanks! I will share the electricity and asset optimization section with Scott's team for comments now.

Thanks,
Gavin He

From: Ronald Kwan
Sent: Monday, February 06, 2017 4:58 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

A few suggestions.

Thanks,
Ron

From: Gavin He
Sent: February-03-17 11:48
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the draft agenda for your review. I will share a copy with Scott Nelms once you are good with it.

Thanks,
Gavin He

From: Gavin He
Sent: Tuesday, January 31, 2017 10:43 AM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Monday, Feb 6th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **EOD Thursday, February 2nd, 2017** for Ron to review?

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

ANNOTATED AGENDA
MO UPDATE: February 07, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. Electricity Price Mitigation: Debt-Financing Global Adjustment and Delivery Charge

- The Ministry of Energy (ENERGY) is continuing to work on electricity price mitigation options, including options to defer the pass-through to ratepayers of some generation supply costs by partially debt financing the cost of the global adjustment (GA) to pay the generators their contracted or regulated payments.
- The options generally involve reducing current cost pass-through to consumers and deferring part of the costs for longer-term future recovery from consumers.
- Based on Energy's illustrative charts, relief would last to about 2028 / 2030, witjh higher percentage relief in the early years, and the higher cost caused by the deferral would subsequently hit electricity bills of future ratepayers until 2042 or 2047 in 25 or 30 year "amortisation" scenarios.
- There have been discussions between CEFD, OPCD, IESO, KPMG, and Energy staff on material challenges – accounting considerations and fiscal exposure and reporting risks associated with the GA deferral proposal.
- Energy also provided analysis on a delivery rate relief proposal.
    - The proposal suggests a temporary initiative, to effective accelerate the introduction of fixed distribution delivery charges that would allow a cap per month on residential customers' delivery charges.

2. ONFA – 2017 Reference Plan Contribution Schedules

- Following approval of the 2017 Reference Plan, OPG has submitted proposed contribution schedules for the Decommissioning Segregated Fund (DSF) and Used Fuel Segregated Fund (UFSF).
- As of Dec. 31, 2016 the Used Fuel Segregated Fund (UFSF) and the Decommissioning Segregated Fund (DSF) were both in a surplus position, in aggregate.
    - That means that there is enough funds to cover the 2017 ONFA present value estimate of the future liability associated to manage nuclear waste and decommissioning of the nuclear stations, in aggregate, as per the current ONFA assumptions.
- Given the above, OPG's submission proposes no incremental cash contributions and to rebalance the allocation of the funds inside each fund to align funds and liabilities at the stations level rather than just at the aggregated level.
- In the case of the UFSF, OPG is also proposing to rebalance the allocation of funds with respect to the used fuel bundles so that any shortfall in stations related to the initial 2.23M bundles are addressed while the excess aggregate value in the 2.23M

bundles over and above the liability estimate are now allocated to the incremental fuel bundles.

- OPG's position is that the rebalancing is consistent with the spirit of ONFA and will be well received by the Ontario Energy Board and those participating in the rate setting process.
    - OPG has also indicated that it would be helpful if the approval is provided before February 14th to align with the OEB rate application and hearings process.

- OFA and MOF Legal staff are reviewing OPG's submission and have assessed that technical waivers will be required for the Province to approve OPG's submission as ONFA does not explicitly allow for rebalancing at each fund.
- So far, OFA staff have identified no fiscal risk from OPG's proposed contribution schedules.
- A briefing has been proposed to be scheduled for Feb. 8th or 9th.

3. Global Adjustment Lawsuit Follow-ups

- OEFC has received the costs statements from legal counsel for the Applicant NUGs. The courts awarded costs to the Applicant NUGs, which are to be paid by OEFC.

- Other follow-ups include the Standstill NUGs and how to treat the NUGs with similar contract clauses that were neither Applicant NUGs nor Standstill NUGs.
    - There are several NUGs not involved in the lawsuit which have PPAs that contain similar terms and price provisions as those that were under consideration by the courts. As OEFC's application for leave to appeal was unsuccessful, OEFC may also have to address payments under these PPAs.
    - Following the March 2015 court decision, certain NUGs entered into standstill agreements with OEFC to preserve their legal rights.
    - One issue is how to apply the two-year legal limitation period.

- As OEFC recovers the full cost of contracts through the Global Adjustment, including legal costs, there is no impact expected on the stranded debt. This recovery is done through the monthly settlement process of the IESO.

4. LTEP Consultations and the ALGP

- Energy staff have noted that there were comments at the LTEP consultation sessions on the Aboriginal Loan Guarantee Program (ALGP) and new and emerging financing gaps in relation to Indigenous communities investing in energy projects.
- Energy asked OFA staff about whether ALGP due diligence could be less stringent and could be adapted to the needs of small projects, which, based on feedback from LTEP consultations, are reportedly more likely to be financing constrained and more likely to seek financing assistance through programs such as ALGP.

- CEFD staff noted that many smaller projects are able to come together to seek financing as a bundle, such as a Metis Nation of Ontario (MNO) project that currently holds a conditional offer for a loan guarantee.

- Staff are reviewing whether ALGP could be adapted to smaller projects in other ways, particularly given that upcoming energy procurements may focus on smaller projects.

5. Constance Lake First Nation

- Constance Lake First Nation (Constance Lake) have brought forward a NUG-related issue to the grievance table with the Ministry of Energy (Energy) and Ministry of Indigenous Relations and Reconciliation (MIRR).
  - Constance Lake First Nation, along with Brookfield, are owners of the 15 MW Nagagami hydro project. Nagagami has a non-utility generator (NUG) contract with Ontario Electricity Financial Corporation (OEFC).

- In June 2016, Constance Lake entered into a Framework Agreement with Energy and MIRR, which includes as a purpose addressing the ongoing operation of the facility and how Constance Lake may become a more active participant in its operation, and derive benefits from the continued operation of the facility.
  - The Nagagami project has performed poorly and has not provided significant returns to Constance Lake.
  - Due to the facility's poor performance, the project has accumulated approximately $50 million in debt owed to OEFC.

- Staff at Energy have noted that it may seek Minister of Energy support for PPA rate revisions or interest rate relief if a grievance settlement were required and asked about how OEFC might respond.

6. ALGP: Coral Rapids Conditional Offer Package

- Coral Rapids Power Corporation ("CRP"), wholly-owned by Taykwa Tagamou Nation ("TTN"), is seeking a loan guarantee under the ALGP of about $18.2 million. This loan would allow CRP to finance its investment in a partnership which was formed to own and operate the 28 MW Peter Sutherland Sr. Generating Station at a lower interest rate than the alternative (a loan from its partner).
- The conditional offer letter was approved and an OIC was obtained at the December 13, 2016 LRC meeting.
  - This application involves the interests of a Schedule 1 bank.
- Due diligence and negotiation of legal/loan documents are ongoing. The current target closing date is month-end of February. If documents are finalized within the next few weeks, a briefing for approval would be targeted for late February to meet the targeted closing date and execute the final loan guarantee agreement.

OTHER ISSUES

7. FAA Section 28

Sharing Protocol.

- Both the Minister of Finance and the President of Treasury Board have approved the sharing protocol.
- OFA has drafted a memo to be signed jointly by DM MoF and DM TBS which is being reviewed by TBS and MoF Legal staff.

Potential Spring Bill Amendments

- An OFA/MOF/TBS working group is reviewing options for modernizing s.28 of the FAA, for possible inclusion in a 2017 Spring bill.

Class Exemptions

- Regulation drafted for college class exemption is being updated following comments from OFA and MAESD.
- The draft regulation would exempt certain types of transactions and transactions above certain percentage thresholds from requiring s. 28 approval.
- Exempt transactions would still be subject to ministry oversight and colleges' due diligence, reporting and attestations to MAESD (to be spelled out in a binding policy directive prepared by MAESD).
- Regulation for OLG/LCBO class exemption to be drafted by RAOD in early 2017 along with a financial directive.

8. Highway 427 Expansion AFP Project – S. 28 approval

- OFA has received Project Agreement drafts from IO Legal to start section 28 approval process
- MTO has advised that it would submit a formal request along with other supporting documents seeking the Minister's approval by March 3rd.
- Commercial close is now scheduled for March 7th while financial close is scheduled for March 10th.

9. Metrolinx Fuel Hedging

- Metrolinx is planning to hedge its fuel costs by entering into financial derivatives contracts with Canada's six largest banks. In order to do so, Metrolinx must obtain Minister of Finance approval of its amended investments by-law and a new borrowing by-law as well as s. 28 approval.
- A formal request from the Minister of Transportation to the Minister of Finance is forthcoming.

10. Ontario Climate Change Solutions Deployment Corporation (OCCSDC)

- MOECC's draft report back to TB (February 14th) on the governance structure of the OCCSDC includes a reference to OFA providing investment management services for the investment of surplus funds held by the new agency but not to coordinating/arranging borrowing and managing of financial risks for the agency (a requirement under s.12(3) of the Development Corporations Act). This will be raised with MOECC staff.

From: Gavin He
To: Ronald Kwan
Cc: Angie Georgakakos
Subject: Re: MO Bi-weekly Agenda
Date: Monday, July 17, 2017 6:15:20 PM

Hi Ron,

Both SIFB and CFB are good with your edits. I will share the electricity and AO section with Scott's team for input then.

Regards,
Gavin He

On Jul 17, 2017, at 5:12 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Thanks Gavin.
>
> Was SIFB okay with the edits, and CFB too?
>
> I put in one bullet on the Provincial Support Agreement.
>
> Ron
>
> ---
>
> **From:** Gavin He
> **Sent:** July-17-17 16:57
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
> **Subject:** FW: MO Bi-weekly Agenda
>
> Hi Ron,
>
> Please find attached the updated agenda for your review.
>
> For your first inquiry on the Provincial Support Agreement update, John prefers just to have an oral update if you are okay with that approach?
>
> Thanks,
> Gavin He
>
> ---
>
> **From:** Emily Kerr
> **Sent:** Monday, July 17, 2017 4:45 PM
> **To:** Gavin He <Gavin.He@ofina.on.ca>
> **Cc:** Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>

Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

I have responded to Ron's comments in the attached and added a section on the Algonquin land claim. Also attached is the date-stamped copy of the letter from the Minister of Finance to CLFN which Ron asks about in the agenda.

Emily

From: Gavin He
Sent: Monday, July 17, 2017 3:59 PM
To: John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: FW: MO Bi-weekly Agenda

Hi John/Emily,

Please see attached suggestions from Ron.

Regards,
Gavin He

From: Ronald Kwan
Sent: Monday, July 17, 2017 3:57 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Gavin,

Some suggestions, as attached.

Thanks,
Ron

From: Gavin He
Sent: July-17-17 14:18
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: RE: MO Bi-weekly Agenda

Hi Ron,

Please find attached the annotated agenda for your review.

Regards,
Gavin He

From: Gavin He
Sent: Friday, July 14, 2017 5:06 PM
To: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Angie Georgakakos <Angie.Georgakakos@ofina.on.ca>
Subject: MO Bi-weekly Agenda

Hi all,

The next MO bi-weekly meeting will be on Tuesday, July 18th, 2017. To prepare for the meeting, could you please provide me with your annotated agenda by **noon on Monday, July 17th, 2017** for Ron to review? Sorry for the late notice.

I have attached the previous agenda for your reference.

Please let me know if you have any questions.

Thanks,
Gavin He

<Annotated Agenda MO July 18 2017 CEFD_v1_Markup2.docx>

From:	Ronald Kwan
To:	Usman Zahid
Cc:	Francisco Chinchon; Mara Bakic; John Kim; Emily Kerr
Subject:	Re: Mo Bi-Weekly Agenda
Date:	Thursday, October 12, 2017 11:49:03 AM
Attachments:	Annotated Agenda_MO Bi-Weekly Oct 12 2017_v2.docx MO Bi-Weekly Oct 12 2017_Markup3.docx

Hi Usman,

How about this? I added back in the IESO facility item, but made changes to it to make it more current.

I also added in the OCC Loan to the list, to give the MO a verbal update.

Ron

From: Usman Zahid
Sent: October 12, 2017 10:38 AM
To: Ronald Kwan
Subject: RE: Mo Bi-Weekly Agenda

Hi Ron,

Attached is an updated markup.

Regards,
Usman

From: Ronald Kwan
Sent: Thursday, October 12, 2017 1:19 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi Usman,

Some markups, as attached.

Ron

From: Usman Zahid
Sent: October-10-17 5:57 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>

Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly. John has said that he is okay if we choose not to include the credit facility item.

Regards,
Usman

ANNOTATED AGENDA
MO UPDATE: October 12, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. OPG Financial Guarantee: CNSC Hearing

- Verbal debrief on the public hearing.

Context

- The Canadian Nuclear Safety Commission (CNSC) held a public hearing on October 11th in Ottawa regarding OPG's proposed 2018 – 2022 financial guarantee with the CNSC.
    - OPG's licence requirements require that OPG provide the CNSC with a financial guarantee to cover its nuclear decommissioning (including waste management) liabilities.
    - Under ONFA, the Province agrees to support OPG's financial guarantee requirement to the CNSC.
    - To-date, the financial guarantee has been satisfied by an agreement to provide CNSC access to the ONFA funds under certain circumstances, and a direct Provincial guarantee agreement to the CNSC.
- The value of the segregated funds are currently sufficient to cover OPG's proposed financial guarantee requirements, and, therefore, OPG's proposal to the CNSC to satisfy the financial guarantee requirement relies solely on the value of the funds, without the requirement for a direct Provincial guarantee to the CNSC.

2. IESO Credit Facility

- Staff are working to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
    - The existing $975 million facility is currently more than $600 million drawn.
    - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $497 million.
- 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).
- Per the requirements of the OFA's Lending Policy, the OFA has reached out to the Ministry of Energy and IESO to fulfill the requirement to include an intercept provision in credit facility agreements with the IESO.
    - IESO responded that it would need to share the request with OPG, which has sought priority of payments from the IESO for the FHP financing entity, in order to support its external financing.

- While staff do not believe IESO currently has amounts appropriated for it from the Legislature, the IESO has also raised the question of treatment of funds it anticipates receiving in the future from the Green ON Fund (GGRA amounts). This new funding and OPG seeking priority of payment may have an impact on the OFA seeking an intercept provision as part of the credit facility to the IESO.

3. Impact of the FHP on Certain NUGs

- Energy staff have indicated that the recommended policy position would be that rates payable under NUG contracts are unaffected by the deferral of a portion of the GA and the subsequent recovery of deferred costs through the Clean Energy Adjustment.
- Staff for OEFC have drafted a potential letter from the Minister of Energy to the Minister of Finance that would provide support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
  - This draft letter has been shared with Energy at a staff level.
  - A potential alternative that the Ministry of Energy may raise is a Minister of Finance letter to the Minister of Energy seeking a sign-back concurrence on the understanding of the policy intent.

4. Constance Lake First Nation (CLFN) Meeting Request

- A response letter, dated September 14, 2017, was sent to the Chief of CLFN proposing a meeting with the Deputy Minister.
- Meeting scheduling pending / TBD.

5. Wataynikaneyap Power L.P – Federal Contribution

- Wataynikaneyap Power LP is planning to develop and operate electrical transmission and distribution lines in northwestern Ontario (the "Project"). The Project will be financed with equity, senior debt and, as proposed by Energy, a Provincial loan to be supported by a possible contribution from the federal government. This financing structure and potential federal contribution is currently under discussion between the provincial and federal governments.
- At a September 18 meeting, Energy and its negotiator presented to PO and CO its proposal for a Provincial loan to the Project.
- Energy's negotiator has had further communications with the federal negotiator and circulated an additional set of a draft term sheet and MOU.

6. Lakeview

- Potential fiscal impacts and timing.

7. Hydro One: OEB Transmission Rate Decision

- Potential Fiscal impacts

OTHER ISSUES

8. Loan Program for Energy Retrofit Projects at Colleges and Universities

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
    - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD will be requesting an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
    - MoF/TBS legal are currently preparing drafting instructions for Leg Counsel.
    - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of October, provided that Leg Counsel is able to complete the drafting of the regulation.

9. Ottawa Convention Centre (OCC): OFA Loan

ANNOTATED AGENDA
NEC UPDATE – October 12, 2017

DRAFT DRAFT – & ADDITIONS/REVISIONS REQUESTED: 05/10/17

1. NEC's Proposal (Last week – 27/9/17, Wednesday)
2. [redacted] (Monday – 2/10/17, Monday)
3. [redacted]
4. [redacted] [redacted] [redacted]

- Loan Program for Energy Retrofit Projects at Colleges and Universities
  - NHEFCO-NHEFCO- received Treasury Board approval on July 19th of a $30MM loan program through the CEFL to finance energy retrofit projects at colleges and universities.
    - Letter has been advised to provide a comfort letter-signed by its Minister indicating NHEFCO's commitment to maintaining this loan program and to cover interest payments. The comfort letter has been drafted, including an MOU between NHEFCO and the Province, and is awaiting signatures. Once signed, these documents will be forwarded to CEFL.
  - NHEFCO is also in the process of finalizing the transaction specific to this program but some of the projects will exceed the materiality threshold amounts set out in the Investment Agreement with CEFL.
    - Ashurst LLP legal are currently preparing drafting instructions for Legal Counsel.
    - Ministerial approval of the plan NHEFCO's regulation is expected to be sought by the end of March 2016, provided that Legal Counsel is able to complete the drafting of the regulation.

[Redacted] [redacted] [redacted] [redacted] [redacted]

From: Ronald Kwan
To: John Kim
Cc: Usman Zahid
Subject: Re: Mo Bi-Weekly Agenda
Date: Thursday, October 12, 2017 11:59:32 AM

Hi John,

Steen conveyed that prior to this morning's rate mitigation meeting. However, Michael Boll raised the Green ON Fund funding during the meeting, so it seemed that there needed to be some revisiting of the issue. Would you reach out to Energy staff and the IESO on that, as we need to resolve this. And to Sarah Neville on the treatment of the GGRA funding to the IESO for OFA intercept policy purposes.

Thanks,
Ron

From: John Kim
Sent: October 12, 2017 11:52 AM
To: Ronald Kwan; Usman Zahid
Cc: Francisco Chinchon; Mara Bakic; Emily Kerr
Subject: RE: Mo Bi-Weekly Agenda

Hi Ron,

FYI, Energy is ready to sign and it will be Steen.

So IESO is the only side pending.

John

From: Ronald Kwan
Sent: Thursday, October 12, 2017 11:49 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Cc: Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Subject: Re: Mo Bi-Weekly Agenda

Hi Usman,

How about this? I added back in the IESO facility item, but made changes to it to make it more current.

I also added in the OCC Loan to the list, to give the MO a verbal update.

Ron

From: Usman Zahid
Sent: October 12, 2017 10:38 AM
To: Ronald Kwan
Subject: RE: Mo Bi-Weekly Agenda

Hi Ron,

Attached is an updated markup.

Regards,
Usman

From: Ronald Kwan
Sent: Thursday, October 12, 2017 1:19 AM
To: Usman Zahid <Usman.Zahid@ofina.on.ca>
Subject: RE: Mo Bi-Weekly Agenda

Hi Usman,

Some markups, as attached.

Ron

From: Usman Zahid
Sent: October-10-17 5:57 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Mo Bi-Weekly Agenda

Hi Ron,

Attached is the proposed agenda for the upcoming Mo Bi-Weekly. John has said that he is okay if we choose not to include the credit facility item.

Regards,
Usman

From: John Kim
To: Ronald Kwan
Cc: Gavin He; Bruno Amara
Subject: Re: OFHP - Outstanding business issues
Date: Wednesday, May 31, 2017 7:41:25 PM

No but we can ask.

On May 31, 2017, at 6:34 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi John,
>
> Did you see if Kaitlin did a revised version?
>
> Thanks,
> Ron
>
> ---
>
> **From:** John Kim
> **Sent:** May-31-17 13:32
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Subject:** RE: OFHP - Outstanding business issues
>
> Looks good to me. I think you meant that TPD has seen it per Scott's email to you and Sriram.
>
> John
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Wednesday, May 31, 2017 1:30 PM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Subject:** RE: OFHP - Outstanding business issues
>
> How about this?
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** May-31-17 13:28
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Subject:** RE: OFHP - Outstanding business issues
>
> Hi,

You might want to adjust the PILs one.

Ron

From: John Kim
Sent: May-31-17 13:28
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Thanks Ron.

From: Ronald Kwan
Sent: Wednesday, May 31, 2017 1:13 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi John,

Some suggestions, queries.

Ron

From: John Kim
Sent: May-31-17 12:03
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: OFHP - Outstanding business issues

Hi Ron,

Pls. see attached. Not perfect but CMD staff added some sections as well.

John

From: John Kim
Sent: Wednesday, May 31, 2017 11:55 AM
To: 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi Kaitlin,

On a second thought, I know that Scott asked Ron for comments. Given that, might be best it goes through that channel?

I can share the material with Ron shortly.

John

From: John Kim
Sent: Wednesday, May 31, 2017 11:52 AM
To: 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Should be sending you shortly.

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, May 31, 2017 10:42 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP - Outstanding business issues

Hi all – just checking in on comments. ENE DMO is looking for this by noon so if you're able to share any comments shortly I would greatly appreciate it.

This version just includes one more item based on the term sheet OPG shared yesterday but I was unsure about timing on that one.

Please let me know if you have any questions.
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: May 30, 2017 11:28 AM
To: Kim, John (OFA); Bruno Amara; Yep, Carlos (OFA)
Subject: OFHP - Outstanding business issues

Hi all,

ENE MO asked for a quick note on 4 of the outstanding business issues that are being worked through and are hoping to see something tomorrow morning.

I've pulled together a high level explanation of each of the items and next steps/timing (to the extent I know).

Would greatly appreciate if you guys could take a look and provide any edits/comments today/early tomorrow if possible. I'm also not too involved in a

few of these discussions so if there's others within OFA you think should review feel free to pass along.

Thanks in advance,
Kaitlin

From: Ronald Kwan
To: John Kim; Ken Kandeepan; Carlos Yep
Subject: Re: OFHP Business Issues
Date: Monday, September 18, 2017 1:54:09 PM
Attachments: 2017 09 18 OFHP Outstanding Business Issues v03 redline_Markup.pptx

---

Hi John,

There was a blue strikeout of "~~following receipt of a certificate from the Ministry of Energy, as required under s.11.4 of the Financial Administration Act~~" -- was that struck out by Energy? Had we wanted some indication that the OFA would be flow the funds "following authorisation by the Ministry of Energy"?

I had a few small suggestions, as attached, on the last slide.

Ron

From: John Kim
Sent: September 18, 2017 1:01 PM
To: Ken Kandeepan; Carlos Yep
Cc: Ronald Kwan
Subject: FW: OFHP Business Issues

Hi Ken, Carlos,

Would you have any further comments? I believe they consolidated comments from us and FTD.

On slide 4, IGB deleted the part about the s.11.4 certificate. We may need to revisit the SLA in the near future.

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, September 18, 2017 12:47 PM
To: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Lloyd Winfield (MOF) <Lloyd.Winfield@ontario.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Robin Lewis (MOF)

<Robin.Lewis@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP Business Issues

Revised version attached.

Please let us know if you have any further comments or questions on this draft.

Thanks,
Kaitlin

From: Katona, Keley (MOF)
Sent: September 18, 2017 10:25 AM
To: Winfield, Lloyd (MOF); Kim, John (OFA)
Cc: McKinlay, Tom (ENERGY); Lewis, Robin (MOF); Klassen, Daniela (MOF); Kandeepan, Ken (OFA); Yep, Carlos (OFA); Montgomery, Kaitlin (MOF)
Subject: RE: OFHP Business Issues

Sure, we can circulate a new draft today.

From: Winfield, Lloyd (MOF)
Sent: September 18, 2017 9:58 AM
To: Katona, Keley (MOF) <Keley.Katona@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>; Klassen, Daniela (MOF) <Daniela.Klassen@ontario.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>
Subject: RE: OFHP Business Issues

Hello Keley.

It seems that our and OFA's suggested edits have crossed paths. If possible, we would appreciate reviewing the taxation aspect again before the deck is finalized.

Regards,
Lloyd
Lloyd.Winfield@ontario.ca | 416-212-3964
Legislative Design Specialist | Corporate & Commodity Tax Branch | Tax Policy Division

---

From: Lewis, Robin (MOF)
Sent: September 18, 2017 8:07 AM
To: Klassen, Daniela (MOF); Winfield, Lloyd (MOF)
Subject: FW: OFHP Business Issues

Please review the ofa's comments ASAP, then come and discuss.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 15, 2017 4:45 PM
To: Katona, Keley (MOF); Winfield, Lloyd (MOF)

Cc: McKinlay, Tom (ENERGY); Lewis, Robin (MOF); Klassen, Daniela (MOF); Kandeepan, Ken (OFA); Yep, Carlos (OFA)
Subject: RE: OFHP Business Issues

Hi Keley,

Attached is comments from OFA. My CMD colleagues indicate that much of slide 5 on Subordinate Debt Agreement is work in progress and TBD. CMD will be meeting with OPG next week to discuss these items.

Thanks,

John

From: Katona, Keley (MOF) [mailto:Keley.Katona@ontario.ca]
Sent: Friday, September 15, 2017 3:39 PM
To: Lloyd Winfield (MOF) <Lloyd.Winfield@ontario.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OFHP Business Issues

Thanks

From: Winfield, Lloyd (MOF)
Sent: September 15, 2017 3:38 PM
To: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Cc: McKinlay, Tom (ENERGY) <SOM1.Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>; Klassen, Daniela (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OFHP Business Issues

Keley.

Rob asked that I forward this slightly amended slide deck (attached) and these general comments to you. Our amendments have been keyed directly into this copy in red font (page 3). One edit adds words. One edit replaces words.

Other comments.

1. A Trust is mentioned as part of the financing entity structure (page 3, top). Then a specific trust is named (page 5, the Fair Hydro Trust) but it is not explained whether this named trust is, or isn't, the Trust that is part of the financing entity structure.
2. The term financing entity is used eleven times but it seems that there are different meanings and different contexts (i.e., capitalized/not capitalized, specific entity/generic entity). This is confusing. In one instance perhaps the term "financial services manager" is

meant (page 3, just before the heading 'Next Steps.')

3. We note that acronyms for the Income Tax Act (Canada) and Ontario Taxation Act are provided, but not used elsewhere in the document. Perhaps these two acronyms are not needed.

If questions, please do not hesitate to ask.

Regards.
Lloyd

Lloyd.Winfield@ontario.ca | 416-212-3964
Legislative Design Specialist | Corporate & Commodity Tax Branch | Tax Policy Division

---

From: Lewis, Robin (MOF)
Sent: September 15, 2017 12:58 PM
To: Klassen, Daniela (MOF); Winfield, Lloyd (MOF)
Subject: FW: OFHP Business Issues

ASAP please.

From: Katona, Keley (MOF)
Sent: September 15, 2017 11:54 AM
To: McKinlay, Tom (ENERGY); Kim, John (OFA); Lewis, Robin (MOF)
Cc: Montgomery, Kaitlin (MOF)
Subject: OFHP Business Issues

Hi,

ENERGY's MO has requested a few high-level slides on some specific business issues that are outstanding related to the OFHP. We're hoping you can take a quick look at the attached and let us know if you have any comments by end of day today.

Thanks,
Keley

Keley Katona
Director | Investment and Governance Branch
Government Business Enterprise Division | Ministry of Finance
Work: 416-325-1539 | Cell: 416-727-5696
E-mail: keley.katona@ontario.ca
7th Floor, 375 University Ave, Toronto, ON

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OFHP Business Issues

DRAFT – September 11, 2017

CONFIDENTIAL & COMMERCIALLY SENSITIVE

Context: GA Financing

- The *Ontario Fair Hydro Act, 2017,* enables the IESO to establish a variance account to record the deferral amounts from the difference between collections from current ratepayers and payment obligations to generators and conservation, and to create a regulatory asset as the Act provides the IESO the right to recover the balance in the variance account
  - The IESO can then sell the regulatory asset – the right to recover those deferred amounts from specified consumers in the future
  - OPG, as the Financial Services Manager, is authorized to establish one or more financing entities that may incur funding obligations
  - The financing entity will purchase the regulatory asset, effectively financing the IESO's shortfall in current rates not received from ratepayers
- In order to support the establishment of a financing entity, facilitate ongoing funding requirements of the Global Adjustment and optimize ratepayer impacts, OPG and the Province are working on finalizing the details for a number of business issues, including:
  - A regulation to minimize Payments in Lieu (PILs) of taxes by the financing entity
  - An equity injection by the Province to OPG that OPG would use to lend to the financing entity
  - A subordinated debt agreement related to OPG lending to the financing entity
- The above are in addition to a "Change of Law Protection Agreement" under which the Province would provide a guarantee to support the financing entities' debt under certain limited events such as a change in law or adverse court decision that would materially adversely affect the financing entities' ability to service debt.

PILs Exemption

Overview:

- It is currently contemplated that the first financing entity to be established by OPG, in its capacity as Financial Services Manager, will be a trust (Trust)
- The Trust would be subject to tax under the Income Tax Act (Canada) and the Ontario Taxation Act, 2007
- The beneficiary of the Trust will be a corporation (Subco) that will be directly or indirectly wholly-owned by OPG
  - Subco, given it is owned by OPG, would be exempt from federal and provincial corporate taxes and property taxes payable by private sector companies, and instead make payments in lieu of taxes (PILs) to the Ontario Electricity Financial Corporation (OEFC)
  - PILs are used by the OEFC to help pay down its debt and other liabilities – OEFC is the legal continuation ~~the stranded debt~~ of the former Ontario Hydro
- In order to mitigate the cost to ratepayers, the Ministry of Finance ~~Province~~ plans to bring forward a proposed Minister of Finance's regulation under the *Electricity Act* , 1998 that would exempt Subco from paying PILs on income received as beneficiary of the Trust
- The Ministry of Finance ~~Province~~ will also consider similar regulations in the future should OPG establish another financing entity in its role as the Financial Services Manager

Next Steps:

- Draft letter from the Minister of Finance to OPG is in development that will provide comfort that Subco will be exempt from PILs on income received as beneficiary of the Trust.
- The Ministry of Finance is working with OPG on a draft regulation, which will be brought forward in the Fall

Equity Injections

Overview:

- To purchase the regulatory asset from the IESO, an OPG financing entity would be established and ~~must~~ borrow funds from the following:
  - Capital markets (51%)
  - Subordinated OPG debt, financed through equity injections from the Province (44%) and OPG, financing from capital markets (5%)
- OPG will require equity injections on an ongoing basis in order to provide the 44% share of financing for the financing entity to acquire the regulatory asset from IESO and keep its capital structure in line, and will require flexibility in order to issue shares to the Province as needed, under a share subscription agreement
- The Ministry of Energy will be responsible for seeking approval ~~through the PRRT process~~ for the investment envelope each year and managing the share subscription arrangement with OPG
  - On a monthly/quarterly basis, OPG will send a notice of share subscription to the ~~Province~~ Ministry of Energy, requesting a certain amount of equity based on the amount of the regulatory asset it plans to purchase in a fiscal year; the Ontario Financing Authority will flow the funds ~~following receipt of a certificate from the Ministry of Energy, as required under s.11.4 of the Financial Administration Act~~

Next Steps:

- OPG is seeking its Board approval on September 29th of any required steps for the equity subscription
- The Province is working with appropriate parties internally to ensure a mechanism is in place to provide the equity injection to OPG

Subordinated Debt Agreement

Overview:

- OPG intends to lend the equity injection from the Province to the Trust by way of subordinated debt
- OPG proposes that OPG, the Fair Hydro Trust and the OFA will enter into a subordinated debt loan agreement, which outlines the terms of the subordinated debt [TBD]
- OPG has proposed that interest rates on the subordinated debt ~~will~~ be established as follows:
  - During the Trust short term financing period, when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt [TBD]
  - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. [TBD]

Next Steps:

- OPG to incorporate the Province's comments into the next draft of the Subordinated Debt Agreement, which is tracking to be finalized by the end of September [TBD]

From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy
Subject: Re: OFHP Business Issues
Date: Wednesday, December 06, 2017 6:04:19 PM

Thanks, if you're planning to be at the meeting tomorrow please remind them. If you're going to the JPF meeting instead, I'll raise it.

Gadi

On Dec 6, 2017, at 5:53 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> FYI, as I had noticed that the Business Issues matrix still had the PILs reg listed as needing to go to LRC, which I had not thought was the case, and as confirmed (again) by TPD a couple weeks ago.
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Thursday, November 23, 2017 2:29 PM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** RE: OFHP Business Issues
>
> Hi,
>
> It does, and was my understanding too, so was surprised about the LRC discussion this morning. Who in Steen's group is Tax working with?
>
> Ron
>
> ---
>
> **From:** John Kim
> **Sent:** November-23-17 14:00
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** FW: OFHP Business Issues
>
> Fyi, does this answer your question?
>
> ---
>
> **From:** Lewis, Robin (MOF) [mailto:Robin.Lewis@ontario.ca]
> **Sent:** Thursday, November 23, 2017 1:59 PM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** RE: OFHP Business Issues

John,

Sorry, this is a minister's reg. Not LRC.

Our issues are with the drafting by legislative counsel - the house's lawyers.

Regards,

Rob

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 23, 2017 1:56 PM
To: Lewis, Robin (MOF)
Subject: RE: OFHP Business Issues

Just saw an email about this….so this will be done through LRC and not Minister's reg? Could we get a draft submission?

John

From: John Kim
Sent: Thursday, November 23, 2017 1:46 PM
To: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: FW: OFHP Business Issues

Hi Rob,

Hope all is well.

Would you let me know what the status is on the PILs regulation as was discussed in one of these slides?

Thanks,

John

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, October 30, 2017 11:46 AM
To: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Dan Shear (ENERGY) <Dan.Shear@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; John Kim <John.Kim@ofina.on.ca>; Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Sud, Manu (ENERGY) <Manu.Sud@ontario.ca>
Cc: Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; Kuppuswami, Kritika (MOF) <Kritika.Kuppuswami@ontario.ca>
Subject: RE: OFHP Business Issues

Hi everyone,

This product was put on hold but we've now been asked to refresh it.

Could you please take a look and provide any comments midday tomorrow.

Hilary – I think you guys would lead slides 6/8 but please let me know if that's not the case.

Thanks in advance,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: September 29, 2017 1:27 PM
To: Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Lewis, Robin (MOF) <Robin.Lewis@ontario.ca>
Cc: Katona, Keley (MOF) <Keley.Katona@ontario.ca>
Subject: OFHP Business Issues

Hi everyone,

We're pulling together a product summarizing all the outstanding business issues including status/next steps with respect to the Fair Hydro Plan for the Minister of Energy

I've attempted to fill out as much as possible (Hilary there's a couple placeholder slides where I had no content but I think those would be for ESP? Please correct me if I'm wrong).

Each of you are involved in various aspects of these issues so I'm hoping you can take a look to ensure we're accurately capturing each item.

I'm away next week but if you could provide your suggested edits to Keley by next Wednesday we would appreciate it. The briefing has not yet been set up so we will keep you posted if that timing needs to change.

Thanks in advance,
Kaitlin

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From: Ken Kandeepan
To: Ronald Kwan
Cc: Anna Strathy; Gadi Mayman
Subject: Re: Part 2 OFHP Regs - Draft Sub and RAN
Date: Sunday, June 25, 2017 12:11:00 PM

Ok thanks

Ken k

Sent from my iPhone

On Jun 25, 2017, at 12:09 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Ken.
>
> Agreed that there is confusion in the description of the credit facility.
>
> On the issue of interest, my recollection of the Thursday meeting was that Energy said it would need to return with a regulation on that in the summer.
>
> Ron
>
> On Jun 25, 2017, at 11:40 AM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:
>
> > Hi Ron
> >
> > Have a couple of comments; both the note and the submission refer to the OIC as allowing the OFA to give loans to the IESO up a max of $2B, the arrangement we envisage with IESO is the extension of a credit facility, it's a subtle difference however, may be usful to apply the correct terminology.
> >
> > The second issue is something the OFA has raised before, the need for proposed regulations to allow for the collection of interest in the initial period before the Clean Energy Adjustment kicks in. In the action items from the June 22nd Rate Mitigation Implementation meeting that Gadi attended has the following:
> >
> > • OPG/IESO accountants and lawyers meeting to work through accounting issue on the need for revenue to pay interest and fees in the period when clean energy adjustments cannot be charged to rate payers
> >
> > It would be appropriate to include the same in the submission's list of items to be covered by the proposed regulations.

Thanks

Ken k

From: Ronald Kwan
Sent: Saturday, June 24, 2017 5:47 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fwd: Part 2 OFHP Regs - Draft Sub and RAN

Begin forwarded message:

> **From:** "Strang, James (TBS)" <James.Strang@ontario.ca>
> **To:** "Afshin Malekzadeh (MOHLTC)" <Afshin.Malekzadeh@ontario.ca>
> **Cc:** "Chris Skubel (MGS)" <Chris.Skubel@ontario.ca>, "Nina Arbabzadeh (EDU)" <Nina.Arbabzadeh@ontario.ca>, "Patrick Laughton (MOF)" <Patrick.Laughton@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Karen Hughes (MGS)" <Karen.Hughes@ontario.ca>, "Nadine Petsche (MOF)" <Nadine.Petsche@ontario.ca>, "Helen Graham (MOF)" <Helen.Graham@ontario.ca>, "Hosick, Sarah (TBS)" <Sarah.Hosick@ontario.ca>, "Paul Kaufman (MOHLTC)" <Paul.Kaufman@ontario.ca>, "Nick Smook (MOF)" <Nick.Smook@ontario.ca>, "Didem Proulx (MTCU)" <Didem.Proulx@ontario.ca>, "Ronald Kwan" <Ronald.Kwan@ofina.on.ca>, "John Kim" <John.Kim@ofina.on.ca>
> **Subject: Part 2 OFHP Regs - Draft Sub and RAN**
>
> Hi,
>
> Attached is Energy's Draft Submission received (please keep confidential as not approved by Energy). The second file is a draft assessment note for review and comment. After consolidating feedback from central agencies, I'm intending to share with Energy later on Monday. The item is at Treasury Board Tuesday in the early afternoon.
>
> James

From: Ronald Kwan
To: Anna Strathy
Subject: Re: Rate Mitigation Implementation Group - Thursday Aug 24th
Date: Tuesday, August 22, 2017 9:22:26 AM

Hi Matt,

That's right. John Kim will attend next week.

Ron

On Aug 22, 2017, at 8:53 AM, Anna Strathy <Anna.Strathy@ofina.on.ca> wrote:

> Hi Ron,
>
> My understanding is you plan to attend Thursdays rate mitigation implementation group meeting on Gadi's behalf, but just wanted to confirm.
>
> Thanks,
> Matt
>
> ---
>
> **From:** Tekle, Jonathan (MOF) [mailto:Jonathan.Tekle@ontario.ca]
> **Sent:** Monday, August 21, 2017 5:24 PM
> **To:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** Rate Mitigation Implementation Group - Thursday Aug 24th
>
> Hi Matt,
>
> Hope all is well!
>
> Gadi typically attends the rate mitigation implementation group meetings – next meeting is at 8:30 am on Thursday.
>
> Please let me know if Ron or anyone else is attending in his absence.
>
> Thanks,
>
> **Jonathan Tekle**
> Senior Policy Advisor, Deputy Minister's Office, Ministry of Finance
> Frost Building South, 7th Floor
> 7 Queen's Park Crescent
> Toronto, Ontario M7A 1Y7
>
> Tel: 416-325-8736
> Email: Jonathan.Tekle@ontario.ca

From: Gadi Mayman
To: Ronald Kwan
Subject: Re: Rate Mitigation Implementation Meeting - April 25, 2017
Date: Friday, April 28, 2017 3:57:49 PM

I'll keep my eyes open, but I was hoping that we'd get one weekend off after the Budget

On Apr 28, 2017, at 3:51 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> Scott N. said he had a very early draft that still had lots of blank placeholder slides. He was expecting that Steen would be doing a number of turns on the draft over the weekend.
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** April-28-17 15:19
> **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Subject:** RE: Rate Mitigation Implementation Meeting - April 25, 2017
>
> Hi Gadi,
>
> Would you have an idea when Energy will be circulating the draft TB Report Back?
>
> I was talking to Steen on Wednesday on the IESO request for an expanded credit facility from the OFA, and he asked for some input.
>
> Some potential input is attached, modifying the flow chart that Energy had in its March CabSub, to show a potential role for the OFA for financing the IESO (at least on an interim basis).
>
> Steen also asked if we'd be looking for an approval. I'm not sure that is needed (assuming that IESO eventually can still sell the asset to OPG's SPV eventually, as planned), but perhaps a "Note" in the Minute would be helpful, along the lines of "Note that [the Minister of Finance will direct] the OFA [to/will] provide a credit facility to the IESO to facilitate …"
>
> Energy's PW.
>
> Ron

From: Gadi Mayman
Sent: April-25-17 23:28
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 25, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Tuesday, April 25, 2017 4:30 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY); Martin Schlaepfer (MOF)
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Please find attached action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-24-17 5:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Schlaepfer, Martin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,

Keley

From: Gadi Mayman
To: Ronald Kwan
Cc: Ken Kandeepan; Mike Manning; Gavin He; Anna Strathy
Subject: Re: Rate Mitigation Implementation Meeting - April 13, 2017
Date: Wednesday, April 12, 2017 9:36:42 PM

I'll try to cover both those points, but I have to leave the meeting early as I have a 9 am meeting with Scott that I have to be at. I'll try to inquire before I leave.

On Apr 12, 2017, at 7:37 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Good point Ken.
>
> I'd expect that this letter could be public (OPG posts certain correspondence from its Shareholder on its website). Perhaps Gadi could ask tomorrow if that would be the case with this letter.
>
> Ron
>
> ---
>
> **From:** Ken Kandeepan
> **Sent:** April-12-17 19:20
> **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** RE: Rate Mitigation Implementation Meeting - April 13, 2017
>
> Hi Gadi
>
> One comment, Minister's memo to OPG, 4th para, first sentence should include the OFA among the entities listed.
>
> Thanks
>
> Ken K
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** Wednesday, April 12, 2017 5:35 PM
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - April 13, 2017
>
> ---

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Wednesday, April 12, 2017 5:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken -FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

From: John Kim
To: Ronald Kwan
Cc: Bruno Amara; Gavin He
Subject: Re: Rate Mitigation Implementation Meeting - April 13, 2017
Date: Wednesday, April 12, 2017 7:21:54 PM

Thanks, no comments from us.

We are likely going to organize a sit-down with FTD and CMD on Tuesday next week on hammering out common views on details of the equity injection. SIFB is also inputting into the work.

We were about to share a note with OPG last week but was asked to delay by Scott's people. We will follow up on that tomorrow as well.

John

On Apr 12, 2017, at 6:50 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi,
>
> I had a quick review of the draft letter, and noted some issues I'd like to know the status of on the matrix.
>
> Ron
>
> ---
>
> **From:** Gavin He
> **Sent:** April-12-17 17:36
> **To:** John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
> **Cc:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - April 13, 2017
>
> Hi John/Bruno,
>
> Please find attached the meeting materials for your review.
>
> Thanks,
> Gavin He
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** Wednesday, April 12, 2017 5:35 PM
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - April 13, 2017

From: Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
Sent: Wednesday, April 12, 2017 5:33 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com) <jeffrey.lyash@opg.com>; HARTWICK Ken -FINANCE (ken.hartwick@opg.com) <ken.hartwick@opg.com>; Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca) <maryanne.aldred@ontarioenergyboard.ca>; Campbell, Bruce (bruce.campbell@ieso.ca) <bruce.campbell@ieso.ca>; Kim Marshall (Kim.Marshall@ieso.ca) <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; LEE John - TREASURY <john.s.lee@opg.com>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; Turnevicius, Lorraine <lorraine.turnevicius@ieso.ca>; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - April 13, 2017

Good evening,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

<Letter from Province to OPG_Markup.docx>

<Consolidated - OFHP Matrix - Week of April 10_Markup.docx>

From: John Kim
To: Ronald Kwan
Cc: Gavin He
Subject: Re: Rate Mitigation Implementation Meeting - April 6, 2017
Date: Wednesday, April 05, 2017 7:43:30 PM

Sure, thanks Ron.

On Apr 5, 2017, at 7:40 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi John,
>
> Just had a quick review and made a few comments. When it ultimately goes out, note that it has not been ADM-approved, nor has the DMO been looped in yet.
>
> Thanks,
>
> Ron

From: John Kim
Sent: April 5, 2017 5:33 PM
To: Ronald Kwan
Cc: Gavin He
Subject: RE: Rate Mitigation Implementation Meeting - April 6, 2017

Hi Ron,

Thanks.

On the note we shared with you on Monday, attached above, would you be okay with us sharing the draft with OPG? We have CMD's comments and also EIGS' comments are imminent.

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, April 05, 2017 5:29 PM

To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - April 6, 2017

Hi John,

FYI.

Ron

Begin forwarded message:

> **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Date:** April 5, 2017 at 5:22:25 PM EDT
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>, Gavin He <Gavin.He@ofina.on.ca>
> **Subject: Fw: Rate Mitigation Implementation Meeting - April 6, 2017**
>
> ---
> From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
> Sent: Wednesday, April 5, 2017 5:09 PM
> To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
> Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
> Subject: Rate Mitigation Implementation Meeting - April 6, 2017
>
> Good evening,
> Please find attached material for tomorrow's meeting.
> Keley
>
> Keley Katona | Director of Operations

Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail:
Keley.Katona@Ontario.ca<mailto:Keley.Katona@Ontario.ca>
4th Floor, Hearst Block, 900 Bay Street

<BN - GA Equity Injection Structure v6_Markup3.docx>

From: Ronald Kwan
To: John Kim
Cc: Gavin He
Subject: Re: Rate Mitigation Implementation Meeting - April 6, 2017
Date: Wednesday, April 05, 2017 7:40:54 PM
Attachments: BN - GA Equity Injection Structure v6_Markup3.docx

---

Hi John,

Just had a quick review and made a few comments. When it ultimately goes out, note that it has not been ADM-approved, nor has the DMO been looped in yet.

Thanks,
Ron

From: John Kim
Sent: April 5, 2017 5:33 PM
To: Ronald Kwan
Cc: Gavin He
Subject: RE: Rate Mitigation Implementation Meeting - April 6, 2017

Hi Ron,

Thanks.

On the note we shared with you on Monday, attached above, would you be okay with us sharing the draft with OPG? We have CMD's comments and also EIGS' comments are imminent.

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, April 05, 2017 5:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - April 6, 2017

Hi John,

FYI.

Ron

Begin forwarded message:

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Date: April 5, 2017 at 5:22:25 PM EDT
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>, Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - April 6, 2017

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To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Francesca Bungaro-Yemec (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 6, 2017

Good evening,
Please find attached material for tomorrow's meeting.
Keley

Keley Katona | Director of Operations
Deputy Minister’s Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca<mailto:Keley.Katona@Ontario.ca>
4th Floor, Hearst Block, 900 Bay Street

CONFIDENTIAL - DRAFTS AND COMMENTARY

CLAYTON ANCONZ – EQUITY IN ACTION OVERVIEW

This document serves to provide an overview of the implementation mechanism, timelines and critical issues for Shared Financing and the Equity Agreements between Investors (CHFC) from the Province.

OVERVIEW

- The Ministry of Housing, Ministry of Finance and Manitoba Housing Authority (MHA) have partnered with Clayton Anconz Housing Corporation (CHFC) to provide Shared Financing and Equity Agreements to Manitoba Households.
- Shared Financing and Equity Agreements are two distinct products:
  - With each Shared Financing Agreement, CHFC will provide funds to a Household in exchange for a 10% Share of the Property's value. This Share entitles CHFC to receive 10% of the Property's value at the end of the Shared Financing Agreement. Shared Financing Agreements do not have any monthly payments but CHFC will have the right to collect access from the Property in exchange for its Share.
  - With the Shared Financing Agreement, the Household will be required to pay CHFC 10% of the funding received as a monthly payment. This payment will be calculated based on the Household's income and will be capped at a maximum of $1,000 per month.
    - The 10% collected each month from CHFC will be directed to MHA through debt from the original investment (7%) and through equity payment (3%) for the Share (after).
    - Annual payments will be reviewed by CHFC from the Shared Financing Loans.
    - Shared Financing Agreements do not have any monthly payments but CHFC will have the right to collect access from the Property in exchange for its Share.
- The Investment by which the Province is invested and is prior to the Dividend. Both MHA on behalf of MHA. The fund #1 will have on behalf of the Province are responsible, looking to engage with Clayton Anconz Housing Corporation (CHFC) to provide Shared Financing and Equity Agreements to Manitoba Households. Shared Financing and Equity Agreements are two distinct products: (see below.)

RECIPROCITY

- The Province will provide $[redacted] to CHFC Housing, conducted by MHA Trust and the Province will provide $[redacted] to MHA Investments Fund through a Grant Agreement. The Province will be repaid by MHA. CHFC has continuously said that this may be through [redacted] lower debt, recycled from the innovative money markets.

CONFIDENTIAL - SUBJECT TO CONFIDENTIALITY AGREEMENT

- Basis and Timing to Verify that this would be Achieved through a new Tariff and Rate Design Application Once Construction Has Begun and Prior to Any Rate Base Additions
- Longer-term debt and/or [redacted] could also be – subject to market timing risk and:
  - 100% to be held in Alberta to address risk during term borrowing until financing of Rate Base
  - The CFOs also assumed for Alberta Capital to provide any shortfalls in the Province's equity injection (P&C) into ATB, including any borrowing by ABN Treasury
- The long-term debt issued by ATB Treasury also includes [redacted] to any bank the Province holds. In the request [illegible]

Commented [MK1]: Can we do this?
Commented [MK2]: Is this the best way to do this? Is there a way to do this without the Province having to issue debt?
Commented [MK3]: Can we do this?
Commented [MK4]: Can we do this?
Commented [MK5]: Can we do this?

EQUITY INJECTIONS DURING REVIEW

Calculation

- The Province to scope and fix process [redacted] to Alberta Investment Bank
- In return, ATB would issue new shares to the Province at a value of CAD per share.
- Basis that Province is initially considered Equity Underwritten by the Province and ATB only [redacted] to Alberta Investment Bank
  - This would provide the Province of Alberta shareholders in Alberta Investment Bank, and allow ATB, to invest in a more valuable capital project [redacted] World Financing project in Newfoundland
  - Redeemable terms may include a term and period that permits the Province to redeem shares at a future date
  - [illegible] Equity may be controlled and limited shares, in future rebalance or redemption these shares will have a min per value (ie. not $1M per share)

Advantages

- ATB: This would increase the [redacted] assets in purchase the [redacted] from Alberta
- Province would be secured from ATB's by the 67% 81-90% of the assets for the equity injection.

Commented [MK6]: Can we do this?
Commented [MK7]: Can we do this?
Commented [MK8]: Can we do this?
Commented [MK9]: Can we do this?
Commented [MK10]: Can we do this?
Commented [MK11]: Can we do this?
Commented [MK12]: Can we do this?
Commented [MK13]: Can we do this?

CYBER RESILIENT DEBENTURES (CYBERDEBS)

- Subscription, ISIN, and KYC. You transact data via tablet from the capital markets integrity ISIN of the CYBER asset tracker.
- There is a 7- business day reservation window from the timing of the notice received by the client's designated bank settlement with the Custody Bank.

CYBER LISTING. Cyber Resilient Debentures will be listed on the **BSE- Startup.**

- The physical offering for the registration is the **Application Form.**
- Yes, unlike Fixed Rates rates available offer Bond is inducted. If the RFP prices are dead on the Application Form, the RFP prices are announced by the EIB in the cash and restricted electronically.
  - Furthermore, the RFP prices are announced by the EIB in the cash and restricted electronically.
  - Unclear on whether the timing for the implementation mechanism would be sufficient to meet the RFP date.
- The Company's credit rating is the underlying **"BBB(stable)"** rating assigned by CRISIL Limited (CRISIL) and care score of care for cyber resilience assigned by CARE Ratings Limited (CARE) on the date of this Application Form.

Mandatory Notice Issues Commercially Sub-Standard Rating Authority **Solvara Breaking Authority Agency, 2020**

Comment **[1]:** Mr. Jain, the Company's treasurer, has NOT provided support to Office regarding the Application Form and cannot confirm the RFP prices.

Comment **[2]:** Mr. Jain, the Company's treasurer, has NOT provided support to Office regarding the Application Form and cannot confirm the RFP prices.

Comment **[3]:** Mr. Jain, the Company's treasurer, has NOT provided support to Office regarding the Application Form and cannot confirm the RFP prices.

From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Anna Strathy; Gavin He; Mike Manning; Ken Kandeepan
Subject:	Re: Rate Mitigation Implementation Meeting - April 25, 2017
Date:	Tuesday, May 02, 2017 12:08:10 PM
Attachments:	GA - IESO Role and Financing v4 - extract v11.pptx

Hi Gadi,

As discussed, I beefed up the fiscal and accounting risk point, and moved it up.

Ron

From: Ronald Kwan
Sent: May 1, 2017 6:48 PM
To: Gadi Mayman
Cc: Anna Strathy; Gavin He; Mike Manning; Ken Kandeepan
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Hi Gadi,

We made a few tweaks to the slides.

Energy's PW.

Ron

From: Ronald Kwan
Sent: April-28-17 15:19
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Hi Gadi,

Would you have an idea when Energy will be circulating the draft TB Report Back?

I was talking to Steen on Wednesday on the IESO request for an expanded credit facility from the OFA, and he asked for some input.

Some potential input is attached, modifying the flow chart that Energy had in its March CabSub, to show a potential role for the OFA for financing the IESO (at least on an interim basis).

Steen also asked if we'd be looking for an approval. I'm not sure that is needed (assuming that IESO eventually can still sell the asset to OPG's SPV eventually, as planned), but perhaps a "Note" in the Minute would be helpful, along the lines of "Note that [the Minister of Finance will direct] the OFA [to/will] provide a credit facility to the IESO to facilitate …"

Energy's PW.

Ron

From: Gadi Mayman
Sent: April-25-17 23:28
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
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Subject: RE: Rate Mitigation Implementation Meeting - April 25, 2017

Please find attached action items from today's meeting.

From: Katona, Keley (ENERGY)
Sent: April-24-17 5:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Schlaepfer, Martin (ENERGY)
Subject: Rate Mitigation Implementation Meeting - April 25, 2017

Good afternoon,
Please find attached the material for discussion tomorrow morning.
Thanks,
Keley

DRAFT

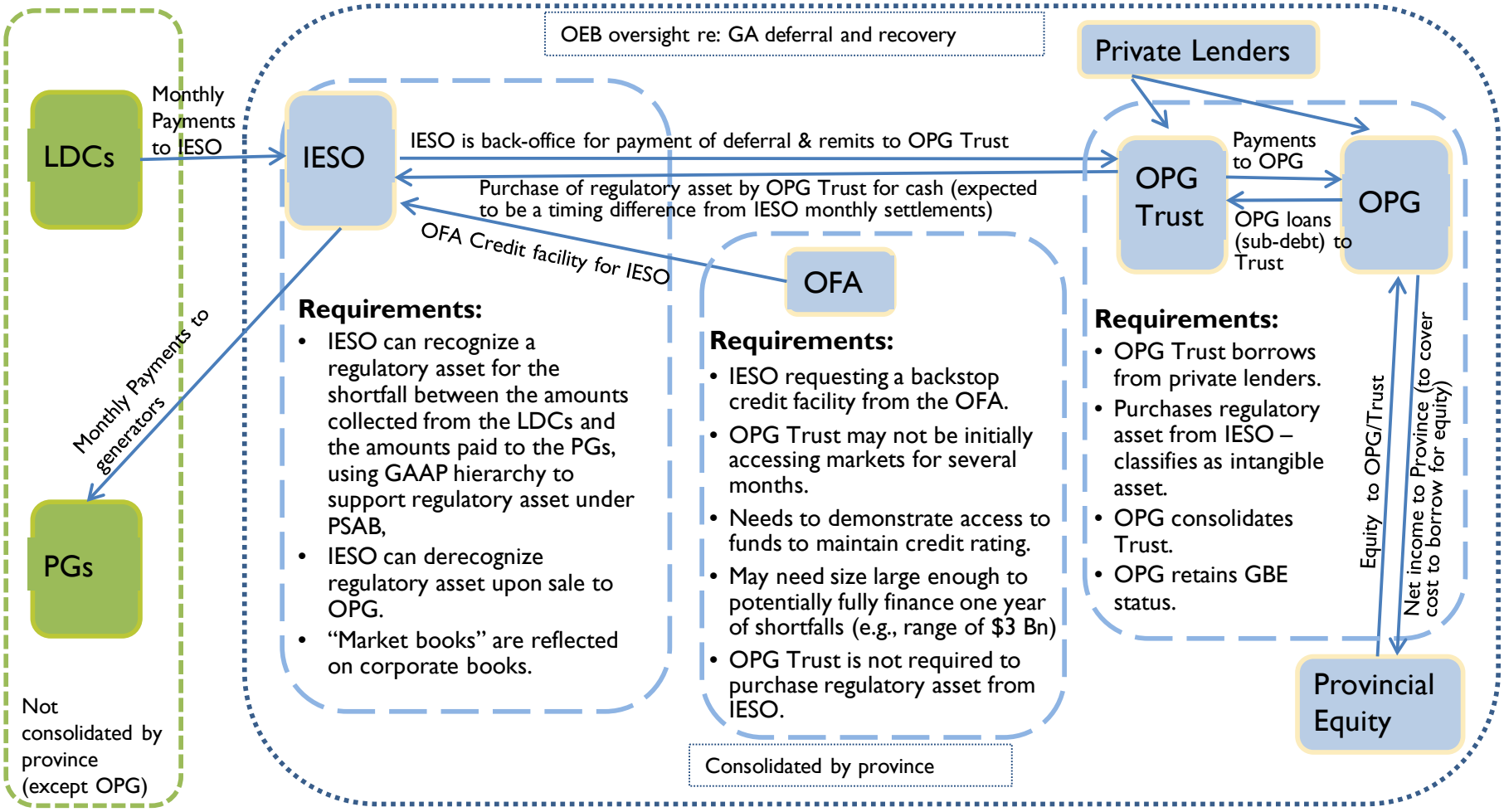
GA Financing Plan: Role of IESO

Corporate and Electricity Finance Division
May 1, 2017

DRAFT

GA Smoothing – Proposed Structure

- The following diagram provides an overview of the proposed GA smoothing structure, as well as interactions between sector entities and elements required to meet accounting objectives.



Note: Proposed structure is subject to legal and accounting confirmation, absent that confirmation, there would be a fiscal impact to the province.

DRAFT

IESO Financing Requirements

- IESO will need to ensure that it continues to have the funds available to provide payments to generators on a monthly basis as part of the IESO settlements process, while recoveries from LDCs for Regulated Price Plan (RPP) / Fair Hydro Plan eligible customers will be lower.
- IESO has an existing credit facility from the OFA; however, a new or expanded facility is being requested.
- IESO would require financing to compensate generators should it be required to hold any portion of the unpurchased Regulatory Asset beyond each monthly settlement period.
  - OPG Trust is not expected to access public capital markets for several months after the start of the FHP, and may be purchasing the asset with a lag vs monthly settlements. Also, OPG Trust is not required to purchase the regulatory asset.
  - IESO will need a credit facility for interim financing.
  - IESO may require longer-term financing to maintain the deferral financing plan, should the OPG Trust not be able to access debt markets on a timely basis for purchase of some or all of the regulatory asset.
- Based on Ministry of Energy's GA deferral plan, it is estimated that approximately $2.5-3.0 billion need to be deferred per year for over first 10 years, equal to approximately $200-250 million per month, on average.[1]
  - The size of the credit facility required to backstop IESO could be $2.5 to $3.0 billion. [TBC]
- There is a fiscal impact and accounting risk on OFA financing of the IESO requirements if it were to be more than temporary borrowing to cover timing differences on when the OPG SPV buys the regulatory asset vs the timing of IESO monthly settlements.
  - Even if IESO is allowed to recognized the Regulatory Asset, on consolidation into Public Accounts, the regulatory asset would not be expected to be recognised, so that the deferral amount and associated financing costs would be expected to have a fiscal impact..
- The monthly and annual amount being deferred and the resulting monthly amounts can be substantially different than forecast based on various factors, such as seasonality or electricity usage, as well as potential changes to electricity costs from OEB rate decisions, with IESO estimating deferral amounts as high as $400 million per month.
- Other factors that may increase IESO's financing requirements:
  - IESO will also incur financing charges that will need to be refinanced.
  - The financing and administration costs that OPG Trust incurs will need to be paid.

[1] Based on Ministry of Energy's annual GA deferral amounts, assuming the monthly deferral is equally-weighted.

From: Mike Manning
To: Gadi Mayman
Cc: Ronald Kwan; Gavin He; Matthew Breadner; Anna Strathy
Subject: Re: Rate Mitigation Implementation Meeting - August 31, 2017
Date: Wednesday, August 30, 2017 9:11:09 PM

Thanks Gadi, planning to go.
Mike

Sent from my iPad

On Aug 30, 2017, at 8:42 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

> I don't know if anyone from the OFA was planning to attend, but, if so, here are the materials.
>
> Gadi
>
> ---
>
> **From:** Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
> **Sent:** Wednesday, August 30, 2017 8:20 PM
> **To:** Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Ken Nakahara (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS); Michael Boll
> **Cc:** Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett; Keley Katona (ENERGY)
> **Subject:** Rate Mitigation Implementation Meeting - August 31, 2017
>
> Hi everyone,
>
> Please find attached the material for discussion tomorrow morning.
>
> Thanks,
> Martin
>
> <2017-07-11 Consolidated - OFHP Matrix - Week of August 28.docx>
>
> <Agenda_Weekly Rate Mitig Implmentation Group_Aug 28.docx>
>
> <Fees Rider 28 August 2017.docx>

<2017 Outstanding Business Issues - Week of Aug 21 - updates.docx>

From: Gadi Mayman
To: Andrew Teliszewsky (ENERGY); Steen Hume (CAB); Scott Nelms (ENERGY); Serge Imbrogno (ENERGY)
Cc: Martin Schlaepfer (MOF); Anna Strathy; Ken Kandeepan; Ronald Kwan; Veinot, Cindy (TBS)
Subject: Re: Rate Mitigation Implementation Meeting - August 10, 2017
Date: Monday, August 14, 2017 5:59:43 PM

We're still waiting for OPG to provide us with their notes following our meeting with them last week, where we agreed to everything, subject to a few accounting checks that need to be done, so that we can ensure that what we're preparing for you and PO/CO accurately reflects what was agreed to with them. OPG is aware of the timing of the meeting on the 16th, and how critical it is to ensuring we keep with the timelines, so they'd promised their material to us by the end of the day today, and we're expecting to see it shortly. There's also a meeting scheduled with the IESO tomorrow morning, as we have to ensure that the form of guarantee on how any LDC defaults would be managed, and a couple of other IESO items, don't affect the IESO's accounting treatment.

Once we have that, barring surprises, we should be able to prepare the one-pager that we were planning to present pretty quickly, and we'll get it to you right away.

Regards,
Gadi

Original Message
From: Teliszewsky, Andrew (ENERGY)
Sent: Monday, August 14, 2017 5:32 PM
To: Gadi Mayman; Steen Hume (CAB); Scott Nelms (ENERGY); Serge Imbrogno (ENERGY)
Cc: Martin Schlaepfer (MOF)
Subject: Fw: Rate Mitigation Implementation Meeting - August 10, 2017

Good Afternoon:

Wondering - for this Wednesday - we've got our two energy products tracking. But for the "provincial guarantee" dialogue with PO/CO - I recall an OFA "note" being offered? Is that tracking?

Any chance our team could get eyes on it tomorrow, in advance of it being shared with the FPC distribution list, if it hasn't already?

Many thanks, in advance.

Andrew

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Thursday, August 10, 2017 7:49 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John - TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS); Katona, Keley (MOF)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett; Smith, Mike (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: August 9, 2017 8:19 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Nakahara, Ken (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); 'David Barrett'
Subject: Rate Mitigation Implementation Meeting - August 10, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Emily Kerr
To: Ronald Kwan
Subject: Re: Rate Mitigation Implementation Meeting - August 10, 2017
Date: Thursday, August 10, 2017 8:33:21 AM

I don't have information on the SLA, MSA or sub-debt agreement. But, I did want to note that the documents note that the revised RRRP has been implemented. Also, for OESP there is a reference to a "wet signature issue". I'm not sure what that means, but it involves MOF and CRA, so I suppose it may be related to CRA agreeing that OESP payments are not a taxable benefit. The documents note there is a proposed solution from CRA.

On Aug 9, 2017, at 10:31 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi,
>
> Please review. Status comments? Say on SLA and MSA, as well as sub-debt agreement?
>
> Thanks,
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** August-09-17 8:20 PM
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** Fw: Rate Mitigation Implementation Meeting - August 10, 2017
>
> ---
>
> **From:** Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
> **Sent:** Wednesday, August 9, 2017 8:19 PM
> **To:** Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Ken Nakahara (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
> **Cc:** Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett
> **Subject:** Rate Mitigation Implementation Meeting - August 10, 2017
>
> Hi everyone,
>
> Please find attached the material for discussion tomorrow morning.
>
> Thanks,

Martin

<2017 Consolidated - OFHP Matrix - Week of August 8.docx>

<2017 Outstanding Business Issues - Week of Aug 8.docx>

<Agenda_Weekly Rate Mitig Implmentation Group_Aug 10.docx>

From: Ronald Kwan
To: Mike Manning
Cc: Gadi Mayman; Gavin He; Matthew Breadner; Anna Strathy
Subject: Re: Rate Mitigation Implementation Meeting - August 31, 2017
Date: Wednesday, August 30, 2017 9:22:34 PM

Hi,

I'd asked John about going a couple weeks ago as well.

Ron

On Aug 30, 2017, at 9:11 PM, Mike Manning <Mike.Manning@ofina.on.ca> wrote:

> Thanks Gadi, planning to go.
> Mike
>
> Sent from my iPad
>
> On Aug 30, 2017, at 8:42 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:
>
> > I don't know if anyone from the OFA was planning to attend, but, if so, here are the materials.
> >
> > Gadi
> >
> > **From:** Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
> > **Sent:** Wednesday, August 30, 2017 8:20 PM
> > **To:** Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Ken Nakahara (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS); Michael Boll
> > **Cc:** Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett; Keley Katona (ENERGY)
> > **Subject:** Rate Mitigation Implementation Meeting - August 31, 2017
> >
> > Hi everyone,
> >
> > Please find attached the material for discussion tomorrow morning.
> >
> > Thanks,

Martin

<2017-07-11 Consolidated - OFHP Matrix - Week of August 28.docx>

<Agenda_Weekly Rate Mitig Implmentation Group_Aug 28.docx>

<Fees Rider 28 August 2017.docx>

<2017 Outstanding Business Issues - Week of Aug 21 - updates.docx>

From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Mike Manning; Ken Kandeepan; Anna Strathy; Usman Zahid
Subject:	Re: Rate Mitigation Implementation Meeting - December 7, 2017
Date:	Wednesday, December 06, 2017 9:08:41 PM

And similarly different than what was stated at the Ministers' briefing last week.

Ron

On Dec 6, 2017, at 8:20 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

> The timing if the bond issues is quite different than what I'd been told last week. The first issue is a week or two later than what I'd been told, and the second is a month or two earlier. I guess they'll explain the rationale at the 8:30 meeting tomorrow morning. Had you heard his from John, or is it new to you as well?
>
> Begin forwarded message:
>
> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** December 6, 2017 at 8:13:05 PM EST
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo - CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca

(ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>
Subject: Re: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Attached is a timeline from OPG for tomorrow's briefing.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: Wednesday, December 6, 2017 5:27 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Calwell, Carolyn (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS); Michael Boll; 'peter.gregg@ieso.ca'; 'ROWE Jennifer -CORPAFFAIRS'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Yordi, Samer (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett; HAHN PARKER Janet -TREASURY; Christie, Tim (ENERGY); Thouin, Alena (ENERGY); Murray, Maud (ENERGY/MEDG/MRIS/MOI)
Subject: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,

Martin

<Fair Hydro Plan Summary Timeline R3.docx>

From:	Ken Kandeepan
To:	Gadi Mayman
Cc:	Mike Manning; Ronald Kwan; Anna Strathy; Usman Zahid
Subject:	Re: Rate Mitigation Implementation Meeting - December 7, 2017
Date:	Wednesday, December 06, 2017 8:37:10 PM

Gadi

My discussion with John today didn't address this issue.

Thanks

Ken k

On Dec 6, 2017, at 8:20 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

> The timing if the bond issues is quite different than what I'd been told last week. The first issue is a week or two later than what I'd been told, and the second is a month or two earlier. I guess they'll explain the rationale at the 8:30 meeting tomorrow morning. Had you heard his from John, or is it new to you as well?
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> Begin forwarded message:
>
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> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo - CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
> **Cc:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)"

<David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, '"jordan.penic@ieso.ca"' <jordan.penic@ieso.ca>, '"catriona.king@opg.com"' <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>
Subject: Re: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Attached is a timeline from OPG for tomorrow's briefing.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: Wednesday, December 6, 2017 5:27 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Calwell, Carolyn (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS); Michael Boll; 'peter.gregg@ieso.ca'; 'ROWE Jennifer -CORPAFFAIRS'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Yordi, Samer (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett; HAHN PARKER Janet -TREASURY; Christie, Tim (ENERGY); Thouin, Alena (ENERGY); Murray, Maud (ENERGY/MEDG/MRIS/MOI)
Subject: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

<Fair Hydro Plan Summary Timeline R3.docx>

From: John Kim
To: Ronald Kwan
Subject: Re: Rate Mitigation Implementation Meeting - December 7, 2017
Date: Wednesday, December 06, 2017 6:31:49 PM

No and no, but it's tpd

Sent from my iPhone

On Dec 6, 2017, at 5:50 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi John,
>
> Note that the Business Issues matrix still has the PILs reg as going to LRC. Again, as a Minister's reg, that wouldn't be the case, would it? And did Energy circulate a draft of the matrix in advance for comment?
>
> Thanks,
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** December-06-17 17:42
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** Fwd: Rate Mitigation Implementation Meeting - December 7, 2017
>
> Begin forwarded message:
>
> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** December 6, 2017 at 5:27:22 PM EST
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo - CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)"

<Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, '"peter.gregg@ieso.ca"' <peter.gregg@ieso.ca>, 'ROWE Jennifer - CORPAFFAIRS' <jennifer.rowe@opg.com>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, '"jordan.penic@ieso.ca"' <jordan.penic@ieso.ca>, '"catriona.king@opg.com"' <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>
Subject: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

<Agenda_Weekly Rate Mitig Implmentation Group_ Dec 7.docx>

<2017 OFHP Matrix and Outstanding Business Issues - Week of Dec 4 - EPE ....docx>

From: Mike Manning
To: Ken Kandeepan
Cc: Gadi Mayman; Ronald Kwan; Anna Strathy; Usman Zahid
Subject: Re: Rate Mitigation Implementation Meeting - December 7, 2017
Date: Wednesday, December 06, 2017 9:37:57 PM

John shared the Financing Plan with me today. It has term debt pricing the week of January 22, 2018 and is silent on follow on issuance. We didn't discuss issuance plans as big concern is the change of law agreements. Not sure why they are moving out initial borrowing plans. Mike

On Dec 6, 2017, at 8:37 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

> Gadi
>
> My discussion with John today didn't address this issue.
>
> Thanks
>
> Ken k
>
> On Dec 6, 2017, at 8:20 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:
>
> > The timing if the bond issues is quite different than what I'd been told last week. The first issue is a week or two later than what I'd been told, and the second is a month or two earlier. I guess they'll explain the rationale at the 8:30 meeting tomorrow morning. Had you heard his from John, or is it new to you as well?
> >
> > Begin forwarded message:
> >
> > **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> > **Date:** December 6, 2017 at 8:13:05 PM EST
> > **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn (ENERGY)" <Carolyn.Calwell@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'" <jeffrey.lyash@opg.com>, "'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)"

<Steven.Davidson@ontario.ca>, "'CROZZOLI Carlo - CBUSDEV&STRT'" <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>, "'peter.gregg@ieso.ca'" <peter.gregg@ieso.ca>, 'ROWE Jennifer -CORPAFFAIRS' <jennifer.rowe@opg.com>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Yordi, Samer (ENERGY)" <Samer.Yordi@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "HAHN PARKER Janet - TREASURY" <j.hahnparker@opg.com>, "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>, "Thouin, Alena (ENERGY)" <Alena.Thouin@ontario.ca>, "Murray, Maud (ENERGY/MEDG/MRIS/MOI)" <Maud.Murray3@ontario.ca>
Subject: Re: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Attached is a timeline from OPG for tomorrow's briefing.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: Wednesday, December 6, 2017 5:27 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Calwell, Carolyn (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE

(ken.hartwick@opg.com)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS); Michael Boll; 'peter.gregg@ieso.ca'; 'ROWE Jennifer - CORPAFFAIRS'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Yordi, Samer (ENERGY); Cox, Hilary (ENERGY); Edwards, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett; HAHN PARKER Janet - TREASURY; Christie, Tim (ENERGY); Thouin, Alena (ENERGY); Murray, Maud (ENERGY/MEDG/MRIS/MOI)
Subject: Rate Mitigation Implementation Meeting - December 7, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

<Fair Hydro Plan Summary Timeline R3.docx>

From: Ronald Kwan
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 9:36:14 PM

Thanks John.

Ron

On Jul 26, 2017, at 9:01 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> No, I guess I asked people other than MOF Legal.....will try to now.
>
> John

From: Ronald Kwan
Sent: July 26, 2017 8:59 PM
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - July 27, 2017

Thanks John. Did you reach out to MOF Legal on the Provincial Support Agreement?

Ron

On Jul 26, 2017, at 6:39 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> I am still inquiring on the guarantee and not yet quite there. On the equity injection, we have a draft Ken R has drafted and are reviewing in terms of the SLA. Energy Legal is waiting for it to draft the Master Subscription Agreement. Not sure why but that is the update I have.
>
> Will keep you posted on the guarantee as I get the information
>
> John

Sent from my iPhone

On Jul 26, 2017, at 5:52 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi John,
>
> Any update / status information on this? The meeting is tomorrow morning.
>
> Ron
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** July-26-17 12:39
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - July 27, 2017
>
> Hi John,
>
> They have the Provincial Support Agreement and the equity injection as language or documents, respectively, finalised by the end of July.
>
> Would you check on the status of both.
>
> Thanks,
>
> Ron

From: Gadi Mayman
Sent: July-26-17 09:39
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - July 27, 2017

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>

Sent: Wednesday, July 26, 2017 9:23 AM

To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John - TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)

Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Edwards, Matthew (ENERGY); Patrick Laughton (MOF); David Barrett

Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,

Martin

From: John Kim
To: Ronald Kwan
Subject: Re: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 9:01:26 PM

No, I guess I asked people other than MOF Legal.....will try to now.

John

From: Ronald Kwan
Sent: July 26, 2017 8:59 PM
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - July 27, 2017

Thanks John. Did you reach out to MOF Legal on the Provincial Support Agreement?

Ron

On Jul 26, 2017, at 6:39 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
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> Sent from my iPhone
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> > Any update / status information on this? The meeting is tomorrow morning.

Ron

From: Ronald Kwan
Sent: July-26-17 12:39
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: Rate Mitigation Implementation Meeting - July 27, 2017

Hi John,

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Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
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Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Ronald Kwan
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 8:59:12 PM

Thanks John. Did you reach out to MOF Legal on the Provincial Support Agreement?

Ron

On Jul 26, 2017, at 6:39 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> I am still inquiring on the guarantee and not yet quite there. On the equity injection, we have a draft Ken R has drafted and are reviewing in terms of the SLA. Energy Legal is waiting for it to draft the Master Subscription Agreement. Not sure why but that is the update I have.
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Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - July 27, 2017

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Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: John Kim
To: Ronald Kwan
Subject: Re: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 6:39:28 PM

Hi Ron,

I am still inquiring on the guarantee and not yet quite there. On the equity injection, we have a draft Ken R has drafted and are reviewing in terms of the SLA. Energy Legal is waiting for it to draft the Master Subscription Agreement. Not sure why but that is the update I have.

Will keep you posted on the guarantee as I get the information

John

Sent from my iPhone

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Subject: Rate Mitigation Implementation Meeting - July 27, 2017

Hi everyone,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy
Subject: Re: Rate Mitigation Implementation Meeting - June 22, 2017
Date: Wednesday, June 28, 2017 6:24:22 PM

No, the next one in my calendar isn't until July 13th.

On Jun 28, 2017, at 6:18 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Hi Gadi,
>
> Is there a weekly meeting tomorrow?
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** June-23-17 10:34
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - June 22, 2017
>
> ---
>
> **From:** Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
> **Sent:** Friday, June 23, 2017 10:34 AM
> **To:** Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Michael Reid (ENERGY) <Michael.Reid@ontario.ca>; Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Rosemaire Leclair' <rosemarie.leclair@ontarioenergyboard.ca>; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)' <maryanne.aldred@ontarioenergyboard.ca>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'Martine Band' <Martine.Band@ontarioenergyboard.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Evans, Karen (ENERGY) <Karen.Evans@ontario.ca>
> **Cc:** Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky

(ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'sarah.branco@ontarioenergyboard.ca' <sarah.branco@ontarioenergyboard.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <Adam.Feather@ontario.ca>; Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Matthew Kitchen (ENERGY) <Matthew.Kitchen@ontario.ca>; Patrick Laughton (MOF) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>
Subject: RE: Rate Mitigation Implementation Meeting - June 22, 2017

Hi everyone,

Attached are the action items from yesterday's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: June 21, 2017 8:39 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'; Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Kitchen, Matthew (ENERGY); Laughton, Patrick (TBS); David Barrett
Subject: Rate Mitigation Implementation Meeting - June 22, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: John Kim
To: Ronald Kwan
Cc: Bruno Amara
Subject: Re: Rate Mitigation Implementation Meeting - June 8, 2017
Date: Thursday, June 08, 2017 7:58:44 AM

Hi Ron,

We have inquired to TBS and they don't have any materials.....we are on them to follow up. In terms of the envelope, it is unquantifiable so we have inquired on that as well. Unfortunately, the key staff there are either not there or left.

John

> On Jun 8, 2017, at 7:56 AM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:
>
> Hi,
>
> And is there a TB report back that approves the appropriation for the indemnities? Is the statement by Energy that they can cover it in the existing Energy envelope okay, so that no new line is needed or supplementary estimates? But does the potential expenditure still need to be approved by TB, or just the s28 by MoF?
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> Ron
>
>> On Jun 8, 2017, at 7:43 AM, John Kim <John.Kim@ofina.on.ca> wrote:
>>
>> Hi Ron,
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>> I'm okay with the outstanding issues piece. If you're attending this morning, it would be helpful to gauge the level of support and the timing of the requested indemnities.
>>
>> Likely, we will received merged set of questions and comments from MOF Legal and be in a position to send over to Energy policy shops (EIGS included?), Energy Legal, etc. We will run it by you beforehand.
>>
>> Thanks,
>>
>> John
>>
>> -----Original Message-----
>> From: Ronald Kwan
>> Sent: Wednesday, June 07, 2017 9:43 PM
>> To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
>> Subject: FW: Rate Mitigation Implementation Meeting - June 8, 2017
>>
>> Hi,
>>
>> Any comments, before the meeting, such as on the revised version of the outstanding business issues?
>>
>> Ron
>>
>> -----Original Message-----
>> From: Gadi Mayman
>> Sent: June-07-17 9:30 PM
>> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
>> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>

>> Subject: Fw: Rate Mitigation Implementation Meeting - June 8, 2017
>>
>> Here's the material for your meeting tomorrow.
>>
>> Gadi
>>
>> Original Message
>> From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
>> Sent: Wednesday, June 7, 2017 8:02 PM
>> To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken - FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
>> Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Matthew Kitchen (ENERGY); Patrick Laughton (MOF); David Barrett
>> Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017
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> Subject: FW: Rate Mitigation Implementation Meeting - June 8, 2017
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> Ron
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> -----Original Message-----
> From: Gadi Mayman
> Sent: June-07-17 9:30 PM
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: Fw: Rate Mitigation Implementation Meeting - June 8, 2017
>
> Here's the material for your meeting tomorrow.
>
> Gadi
>
> Original Message
> From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
> Sent: Wednesday, June 7, 2017 8:02 PM
> To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS);

Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
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> Subject: RE: Rate Mitigation Implementation Meeting - June 8, 2017
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> Good evening,
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> Please find attached the material for discussion tomorrow morning.
>
> Thanks,
> Martin
>
>
>
>
>

From: Ronald Kwan
To: Scott Nelms (ENERGY)
Subject: Re: Rate Mitigation Implementation Meeting - July 27, 2017
Date: Wednesday, July 26, 2017 10:32:54 PM

Hi Scott,

So long as there is no urgency, that's good.

Did IESO confirm that it was okay for it to use the credit facility from the OFA to bridge its financing requirement in the start up period until the financing entity is up and running and able to purchase the regulatory asset? And for how many months? As discussed at the meeting a few weeks ago, that would provide appropriate time to get the structure and drafting in better shape, rather than rushing. That said, it seemed that a window was left open if the issues could be settled and the drafting could be done more quickly.

On the language, I thought that OPG's advisors (lawyers, bankers) were going to review the discussions and clarifications on what the Province was actually saying in the markup of a few weeks ago.

I had the impression that the ball was in their court to get back to the Province in order to refine the drafting.

As of yesterday, I understand that Gadi had not heard anything back yet.

Have you heard anything from OPG?

Ron

> On Jul 26, 2017, at 6:29 PM, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca> wrote:
>
> Probably need Minister signature at some point. Don't see the urgency to do so prior to September. As long as we can settle business points in August. Something to confirm tomorrow.
>
> I have not seen any new language on the guarantees. Steen seemed to think this had been left with Gadi / OFA. I wasn't at the meeting - does that sound accurate?
>
>
>
>
> Sent with BlackBerry Work
> (www.blackberry.com)
>
> From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
> Date: Wednesday, Jul 26, 2017, 5:58 PM
> To: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca<mailto:Scott.Nelms@ontario.ca>>
> Subject: FW: Rate Mitigation Implementation Meeting - July 27, 2017
>
> Hi Scott,
>
> The Business Issues document cites timeframes for the Provincial Support Agreement and the equity injection (language or documents, respectively) as finalised by the end of July. Is that on-track? I have not seen any further discussions on the support agreement since the meeting at Tory's. Has there been a lot of progress on the language.
>
> Also, the MO was asking last week if the Minister would need to sign or approve something with respect to the support agreement (e.g., a guarantee, s.28 approval) in the coming month or so. As you know, the Minister will have limited availability in parts of the summer.
>

> Thanks,
> Ron
>
> From: Gadi Mayman
> Sent: July-26-17 09:39
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
> Subject: Fw: Rate Mitigation Implementation Meeting - July 27, 2017
>
>
>
> From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
> Sent: Wednesday, July 26, 2017 9:23 AM
> To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'; Karen Hughes (MGS); Veinot, Cindy (TBS)
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> Subject: Rate Mitigation Implementation Meeting - July 27, 2017
>
>
> Hi everyone,
>
> Please find attached the material for discussion tomorrow morning.
>
> Thanks,
> Martin
>
>
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Hume, Steen (ENERGY)
To: Gadi Mayman
Cc: Hilary Cox (ENE); Ronald Kwan
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017
Date: Tuesday, May 30, 2017 10:13:33 PM

Thanks Gadi.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Gadi Mayman
Sent: Tuesday, May 30, 2017 8:35 PM
To: Hume, Steen (ENERGY)
Cc: Cox, Hilary (ENERGY); Kwan, Ronald (OFA)
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017

I'm not going to be there, but Ron is and he has a nice deck that's he's just putting the finishing touches on and will send over to you.

Gadi

Original Message
From: Hume, Steen (ENERGY)
Sent: Tuesday, May 30, 2017 7:38 PM
To: Gadi Mayman
Cc: Hilary Cox (ENE)
Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017

Hi Gadi. Hope you're keep well.

Just following up on Martin's email from last week re the action items for our next weekly OFHP meeting. Will OFA be able to bring in a comparison of the Clean Energy Adjustment with the DRC for Thursday meeting?

I'm around tomorrow if you'd like to chat. Cheers, Steen

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
Sent: Thursday, May 25, 2017 6:34 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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'catriona.king@opg.com<mailto:catriona.king@opg.com>'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
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For next week it would be helpful to receive materials for the following items:

- Critical paths from OPG, IESO and OEB
- OFA's comparison of the Clean Energy Adjustment with the DRC
- Draft Provincial Guarantees for the dealers from OPG

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: May 24, 2017 6:02 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
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From: Gadi Mayman
To: Steen Hume (CAB)
Cc: Hilary Cox (ENE); Ronald Kwan
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017
Date: Tuesday, May 30, 2017 8:35:52 PM

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Subject: Rate Mitigation Implementation Meeting - May 25, 2017

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Thanks,
Martin

From: Ronald Kwan
To: John Kim
Cc: Gavin He
Subject: Re: Rate Mitigation Implementation Meeting - May 18, 2017
Date: Friday, May 19, 2017 7:36:50 AM

Hi,

Cindy said that next week would be fine.

Thanks,
Ron

On May 19, 2017, at 6:29 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Sure, will do. Any comments on the note last night would be welcome but will engage team members today and next week.
>
> John
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** May-19-17 1:22 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation Meeting - May 18, 2017
>
> Hi John,
>
> Note the point on "OFA to work on analysis of comparison of clean energy adjustments to Debt Retirement Charge."
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** May-18-17 8:16 PM
> **To:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
> **Subject:** Fw: Rate Mitigation Implementation Meeting - May 18, 2017
>
> I wasn't at the meeting today. I'll forward Scott Nelms' report when he sends it.
>
> Gadi
>
> ---
>
> **From:** Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
> **Sent:** Thursday, May 18, 2017 6:53 PM

To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); Tim Christie (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; 'LEE John -TREASURY'
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Francesca Bungaro-Yemec (ENERGY); Feather, Adam (ENERGY); Hilary Cox (ENE); Erin Thompson (ENERGY)
Subject: RE: Rate Mitigation Implementation Meeting - May 18, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May 17, 2017 7:09 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca'; 'sarah.branco@ontarioenergyboard.ca'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com'; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 18, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

From: Ken Kandeepan
To: Gadi Mayman
Cc: Ronald Kwan; Mike Manning; Gavin He; Anna Strathy
Subject: Re: Rate Mitigation Implementation Meeting - May 4, 2017
Date: Thursday, May 04, 2017 10:51:27 PM

Thanks, Cindy flipped me OPG's accounting paper and E&Y's opinion, both draft and will try and give you a brief summary tomorrow,

I note from the Action Items that IESO also expects to get something similar from KPMG. Will try get that from Kim or Cindy.

Ken k

On May 4, 2017, at 8:48 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

Begin forwarded message:

From: "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
Date: May 4, 2017 at 8:33:22 PM EDT
To: "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Reid, Michael (ENERGY)" <Michael.Reid@ontario.ca>, "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, "'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)" <jeffrey.lyash@opg.com>, "HARTWICK Ken -FINANCE (ken.hartwick@opg.com)" <ken.hartwick@opg.com>, Rosemaire Leclair <rosemarie.leclair@ontarioenergyboard.ca>, "Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)" <maryanne.aldred@ontarioenergyboard.ca>, "Campbell, Bruce (bruce.campbell@ieso.ca)" <bruce.campbell@ieso.ca>, "Kim Marshall (Kim.Marshall@ieso.ca)" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'Martine Band' <Martine.Band@ontarioenergyboard.ca>, 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "LEE John -TREASURY" <john.s.lee@opg.com>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)"

<Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "jordan.penic@ieso.ca" <jordan.penic@ieso.ca>, "'sarah.branco@ontarioenergyboard.ca'" <sarah.branco@ontarioenergyboard.ca>, "Turnevicius, Lorraine" <lorraine.turnevicius@ieso.ca>, "catriona.king@opg.com" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>
Subject: RE: Rate Mitigation Implementation Meeting - May 4, 2017

Please find attached action items from today's meeting.

From: Schlaepfer, Martin (ENERGY)
Sent: May-03-17 6:43 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken -FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); LEE John - TREASURY
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com; Bungaro-Yemec, Francesca (ENERGY)
Subject: Rate Mitigation Implementation Meeting - May 4, 2017

Good evening,

Please find attached the material for discussion tomorrow morning.

Thanks,
Martin

<Action Items - May 4.docx>

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan
Cc:	Christina Zhang
Subject:	Re: Rate Mitigation Implementation Meeting - March 23, 2017
Date:	Thursday, March 23, 2017 5:49:16 PM

Different topic. MMMP just ended and went very well. Can fill you in tomorrow morning.

From: Ronald Kwan
Sent: Thursday, March 23, 2017 5:28 PM
To: Ken Kandeepan
Cc: Gadi Mayman
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Not so much a clarification as an aside on my experience on how Energy works.

Many times items are sent to the Deputy, and he's busy and quite reasonably assumes that there are parallel, horizontal communications, when that is not the way Energy works.

I often contact the DMO (fortunately David can check on that) to see if there are any items that should come our way, and remind them not to assume that something that came their way from Energy is something that we have.

Ron

From: Ken Kandeepan
Sent: March-23-17 17:23
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Oh I see, I only ask because my understanding was that Cindy was at the meeting.

Thanks for the clarification.

Ken K

From: Ronald Kwan
Sent: Thursday, March 23, 2017 5:22 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Hi Ken,

An aside.

Energy often as a default just send things in a hierarchical, siloed fashion – to the top representative in each organisation, and it's to flow from there, under that person's responsibility. So, it'd be up to Helen, for example, to choose who else to send it to in TBS.

Of course, Gadi was there, and he may have a different interpretation!

And it's not pure, since several people in OPG got it (though, again, if OPG asked for it to be done that way, Energy might comply).

Ron

From: Ken Kandeepan
Sent: March-23-17 17:14
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Thanks Gadi, good to know that the modelling is underway, I am surprised that the email from Kelley that you forwarded didn't include Cindy among the addressees.

Ken K

From: Gadi Mayman
Sent: Thursday, March 23, 2017 4:58 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation Meeting - March 23, 2017

From: Katona, Keley (ENERGY) <Keley.Katona@ontario.ca>
Sent: Thursday, March 23, 2017 4:39 PM
To: Steen Hume (CAB); Kaili Sermat-Harding (ENERGY); Michael Reid (ENERGY); Carolyn Calwell (MCSS); Scott Nelms (ENERGY); 'jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com); HARTWICK Ken - FINANCE (ken.hartwick@opg.com); Rosemaire Leclair; Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca); Campbell, Bruce (bruce.campbell@ieso.ca); Kim Marshall (Kim.Marshall@ieso.ca); Scott Thompson (CAB); Helen Angus (MOHLTC); Steven Davidson (MTCS); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Gadi Mayman; LEE John -TREASURY
Cc: Serge Imbrogno (ENERGY); Andrew Teliszewsky (ENERGY); Matt Whittington (ENERGY); Baker, Carys (ENERGY); Kyle MacIntyre (MOF); David McLean (MOF); Robert Foster (MOF); jordan.penic@ieso.ca; 'sarah.branco@ontarioenergyboard.ca'; Turnevicius, Lorraine; catriona.king@opg.com
Subject: RE: Rate Mitigation Implementation Meeting - March 23, 2017

Please find attached action items discussed at today's meeting.

From: Katona, Keley (ENERGY)

Sent: March-22-17 2:08 PM
To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); ''jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'; 'catriona.king@opg.com'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca)'; 'Sarah Branco'; 'Campbell, Bruce (bruce.campbell@ieso.ca)'; 'Turnevicius, Lorraine'; 'Kim Marshall (Kim.Marshall@ieso.ca)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB)
Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); jordan.penic@ieso.ca
Subject: Rate Mitigation Implementation Meeting - March 23, 2017

Good afternoon,

Please find attached material for discussion at the weekly rate mitigation implementation working group meeting.

Keley

Keley Katona | Director of Operations
Deputy Minister's Office | Ministry of Energy
Tel: 416-326-7688 | BB: 647-980-4634
E-mail: Keley.Katona@Ontario.ca
4th Floor, Hearst Block, 900 Bay Street

From: Ronald Kwan
To: Steen Hume (CAB)
Cc: Hilary Cox (ENE); Gadi Mayman; Scott Nelms (ENERGY); Martin Schlaepfer (MOF)
Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017
Date: Thursday, June 01, 2017 7:40:20 AM

Hi Steen,

Okay.

Ron

> On Jun 1, 2017, at 7:37 AM, Hume, Steen (ENERGY) <Steen.Hume@ontario.ca> wrote:
>
> Thanks Ron. Can you bring copies of the attached.
>
> Cheers, Steen
>
> -----Original Message-----
> From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
> Sent: May-31-17 10:52 PM
> To: Hume, Steen (ENERGY)
> Cc: Cox, Hilary (ENERGY); Mayman, Gadi (OFA); Nelms, Scott (MOF)
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Hi Steen,
>
> The attached reflects comments from OPCD, though they have not commented on this revised version, given the timing.
>
> With comments from the group following tomorrow's meeting, we can further update.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-17 3:21 PM
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
> Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Hi Steen,
>
> Cindy responded that she would send me comments this evening.
>
> Ron
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: May-31-17 13:33
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
> Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Hi Steen,

>
> She had a meeting to discuss potentially related issues at 1:30 with her predecessor at the time, so would not be getting back to me before then.
>
> Ron
>
> -----Original Message-----
> From: Hume, Steen (ENERGY) [mailto:Steen.Hume@ontario.ca]
> Sent: May-31-17 13:29
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Hi Ron: have you heard back from Cindy?
>
> Thanks,
>
> -----Original Message-----
> From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
> Sent: May-30-17 10:10 PM
> To: Mayman, Gadi (OFA); Hume, Steen (ENERGY)
> Cc: Cox, Hilary (ENERGY)
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Hi Gadi, Steen,
>
> That's right, though more of a table in Word than slides. Cindy said she might have some comments on it, but not before tomorrow afternoon, so if it's okay to wait until then, it would be good to get her feedback.
>
> Ron
>
> -----Original Message-----
> From: Gadi Mayman
> Sent: May-30-17 8:36 PM
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>
> Cc: Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Subject: Re: Rate Mitigation Implementation Meeting - May 25, 2017
>
> I'm not going to be there, but Ron is and he has a nice deck that's he's just putting the finishing touches on and will send over to you.
>
> Gadi
>
> Original Message
> From: Hume, Steen (ENERGY)
> Sent: Tuesday, May 30, 2017 7:38 PM
> To: Gadi Mayman
> Cc: Hilary Cox (ENE)
> Subject: Fwd: Rate Mitigation Implementation Meeting - May 25, 2017
>
>
> Hi Gadi. Hope you're keep well.
>
> Just following up on Martin's email from last week re the action items for our next weekly OFHP meeting. Will OFA be able to bring in a comparison of the Clean Energy Adjustment with the DRC for Thursday meeting?
>
> I'm around tomorrow if you'd like to chat. Cheers, Steen

>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
>
> From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca<mailto:Martin.Schlaepfer@ontario.ca>>
> Sent: Thursday, May 25, 2017 6:34 PM
> To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
> Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca<mailto:jordan.penic@ieso.ca>'; 'sarah.branco@ontarioenergyboard.ca<mailto:sarah.branco@ontarioenergyboard.ca>'; 'Turnevicius, Lorraine'; 'catriona.king@opg.com<mailto:catriona.king@opg.com>'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
> Subject: RE: Rate Mitigation Implementation Meeting - May 25, 2017
>
>
> Hi everyone,
>
> Please find attached the action items from today's meeting. For any items that require providing materials for next week's meeting, please send them to me in advance by end of day Tuesday. I will ensure hard copies are available at the meeting.
>
> For next week it would be helpful to receive materials for the following items:
>
> * Critical paths from OPG, IESO and OEB
>
> * OFA's comparison of the Clean Energy Adjustment with the DRC
>
> * Draft Provincial Guarantees for the dealers from OPG
>
> Thanks,
> Martin
>
> From: Schlaepfer, Martin (ENERGY)
> Sent: May 24, 2017 6:02 PM
> To: Hume, Steen (ENERGY); Sermat-Harding, Kaili (ENERGY); Reid, Michael (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Nelms, Scott (MOF); Christie, Tim (ENERGY); "jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>' (jeffrey.lyash@opg.com<mailto:jeffrey.lyash@opg.com>)'; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com<mailto:ken.hartwick@opg.com>)'; 'Rosemaire Leclair'; 'Mary Anne Aldred (maryanne.aldred@ontarioenergyboard.ca<mailto:maryanne.aldred@ontarioenergyboard.ca>)'; 'Campbell, Bruce (bruce.campbell@ieso.ca<mailto:bruce.campbell@ieso.ca>)'; 'Kim Marshall (Kim.Marshall@ieso.ca<mailto:Kim.Marshall@ieso.ca>)'; Thompson, Scott (MOF); Angus, Helen (TBS); Davidson, Steven (CAB); 'Martine Band'; 'CROZZOLI Carlo -CBUSDEV&STRT'; Mayman, Gadi (OFA); 'LEE John -TREASURY'
> Cc: Imbrogno, Serge (ENERGY); Teliszewsky, Andrew (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY); MacIntyre, Kyle (TBS); McLean, David (MOF); Foster, Robert (CAB); 'jordan.penic@ieso.ca<mailto:jordan.penic@ieso.ca>'; 'sarah.branco@ontarioenergyboard.ca<mailto:sarah.branco@ontarioenergyboard.ca>'; 'Turnevicius, Lorraine';

'catriona.king@opg.com<mailto:catriona.king@opg.com>'; Bungaro-Yemec, Francesca (ENERGY); Feather, Adam (ENERGY); Cox, Hilary (ENERGY); Thompson, Erin (ENERGY)
> Subject: Rate Mitigation Implementation Meeting - May 25, 2017
>
> Good evening,
>
> Please find attached the material for discussion tomorrow morning.
>
> Thanks,
> Martin
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.
>
>
> <Clean energy adjustment vs Debt Retirement Charge_May31.docx>

From: Ronald Kwan
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 11:58:36 AM

Hi John,

I'm heading back to 1 Dundas, but only very briefly.

Shouldn't the letter have the normal ".../2" pagination at the bottom and header with the recipient names and page numbers on top?

Ron

From: Ronald Kwan
Sent: November 1, 2017 9:22 AM
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

I'd say send the signed pdf to IESO and Energy at the same time.

Ron

From: John Kim
Sent: November 1, 2017 9:03 AM
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

Also, if we can get Steen to sign today before sending to IESO, it'd be really best.

From: John Kim
Sent: Wednesday, November 01, 2017 9:03 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

Hi Ron,

Mid morning today would be ideal time, in my view. These guys are desperate but they want to do

all agreements together so need a bit of time.

John

From: Ronald Kwan
Sent: Wednesday, November 01, 2017 8:59 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

We can. Just trying to give them options if they want to cut some time.

Ron

On Nov 1, 2017, at 8:57 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Great, I will see you then. My advice is to initiate on our end.
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Wednesday, November 01, 2017 8:57 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** Re: Rate Mitigation Implementation Meeting - November 1, 2017
>
> Hi John,
>
> Likely mid-morning, unless more comes up at Frost.
>
> Ron
>
> On Nov 1, 2017, at 8:54 AM, John Kim <John.Kim@ofina.on.ca> wrote:
>
> > Will you be in this morning?
> >
> > ---
> >
> > **From:** John Kim
> > **Sent:** Wednesday, November 01, 2017 8:54 AM
> > **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> > **Subject:** RE: Rate Mitigation Implementation Meeting - November 1, 2017
> >
> > Hi Ron,
> >
> > Her people have a copy of the letter agreement if they wish to do it. I think it looks better if we initiate the process on our end.
> >
> > It's up to you.
> >
> > Thanks,

John

From: Ronald Kwan
Sent: Wednesday, November 01, 2017 8:52 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi,

The letter itself states that it can be done in counterparts.

Kim did not ask over the phone for a PDF, but was looking to get this done.

Ron

On Nov 1, 2017, at 8:49 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> Is it being requested by IESO…..as we have been talking hardcopy with Anthony and Victor. I would need your signed version to do the electronic sign-off but not sure if that's the desired path. I generally tend to go with actual signature.
>
> John
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Wednesday, November 01, 2017 8:48 AM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** Re: Rate Mitigation Implementation Meeting - November 1, 2017
>
> Hi John,
>
> BTW, Kim did not attend the meeting in person. As the letter can be signed in counterparts, can we send her a PDF copy for her to sign back two right now?
>
> Thanks,
> Ron
>
> On Nov 1, 2017, at 8:42 AM, John Kim <John.Kim@ofina.on.ca> wrote:
>
> > Hi Ron,

We are not even close to the conclusion of the negotiation. A couple of months ago we had seen a version that Ken R. was not prepared to recommend and we are just picking up again. I sent them a version that we last could live with. To open up the negotiation.

Thanks,

John

From: Ronald Kwan
Sent: Wednesday, November 01, 2017 8:32 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Thanks John.

Is there a BN being prepared and approval package in general?

Ron

On Nov 1, 2017, at 8:18 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> Just a couple of days ago, we sent back a version of the latest draft to Shruti who is now working on it. This was after a long pause.
>
> I had a chat with her yesterday indicating some critical issues around it, namely the need for a certificate.
>
> Ken R. has a few items he doesn't want us to cave on the SLA and we are working through issues.
>
> John
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Wednesday, November 01,

2017 8:17 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

Where is the equity injection documentation status?

Ron

On Oct 31, 2017, at 5:55 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
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> Nothing back on the IGB deck....on a related note, I am wondering if you can get the letter agreement signed fully by everyone at the meeting.
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Please review.

On a related issue, any comments back on the IGB slide deck?

Ron

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From: Gadi Mayman
Sent: October-31-17 15:54
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>

Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>

Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017

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From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]

Sent: Tuesday, October 31, 2017 3:52 PM
To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>;

Carolyn Calwell (MCSS) <Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo - CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; 'LEE John - TREASURY' <john.s.lee@opg.com>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>

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Subject: Rate
Mitigation

Implementation
Meeting -
November 1, 2017

Hi everyone,

Please find attached
the material for
discussion
tomorrow.

Thanks,
Martin

From: Ronald Kwan
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 9:22:25 AM

Hi John,

I'd say send the signed pdf to IESO and Energy at the same time.

Ron

From: John Kim
Sent: November 1, 2017 9:03 AM
To: Ronald Kwan
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

Also, if we can get Steen to sign today before sending to IESO, it'd be really best.

From: John Kim
Sent: Wednesday, November 01, 2017 9:03 AM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

Hi Ron,

Mid morning today would be ideal time, in my view. These guys are desperate but they want to do all agreements together so need a bit of time.

John

From: Ronald Kwan
Sent: Wednesday, November 01, 2017 8:59 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

Hi John,

We can. Just trying to give them options if they want to cut some time.

Ron

On Nov 1, 2017, at 8:57 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Great, I will see you then. My advice is to initiate on our end.

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Hi John,

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Hi John,

BTW, Kim did not attend the meeting in person. As the letter can be signed in counterparts, can we send her a PDF copy for her to sign back two right now?

Thanks,
Ron

On Nov 1, 2017, at 8:42 AM, John Kim <John.Kim@ofina.on.ca> wrote:

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"jeffrey.lyash@opg.com'
(jeffrey.lyash@opg.com)'
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<j.hahnparker@opg.com>
Subject: Rate Mitigation
Implementation Meeting -
November 1, 2017

Hi everyone,

Please find attached the material
for discussion tomorrow.

Thanks,
Martin

From: Ronald Kwan
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 8:55:51 AM

Hi,

They have the option to sign it, if they want.

Ron

On Nov 1, 2017, at 8:54 AM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> Her people have a copy of the letter agreement if they wish to do it. I think it looks better if we initiate the process on our end.
>
> It's up to you.
>
> Thanks,
>
> John
>
> ---
>
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Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017

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BTW, Kim did not attend the meeting in person. As the letter can be signed in counterparts, can we send her a PDF copy for her to sign back two right now?

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Ken Kandeepan
<Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy
<Anna.Strathy@ofina.on.ca>;
Usman Zahid
<Usman.Zahid@ofina.on.ca>
Subject: FW: Rate Mitigation
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November 1, 2017

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(ENERGY)
[mailto:Martin.Schlaepfer@ontario.ca]

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<Steen.Hume@ontario.ca>;
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Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017

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Subject: Rate Mitigation Implementation Meeting - November 1, 2017

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<david.barrett@ieso.ca>; Keley Katona (ENERGY)
<Keley.Katona@ontario.ca>; HAHN PARKER Janet -TREASURY
<j.hahnparker@opg.com>
Subject: Rate Mitigation Implementation Meeting - November 1,
2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

From: Ronald Kwan
To: John Kim
Subject: Re: Rate Mitigation Implementation Meeting - November 1, 2017
Date: Wednesday, November 01, 2017 8:16:38 AM

Hi John,

Where is the equity injection documentation status?

Ron

On Oct 31, 2017, at 5:55 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Ron,
>
> Nothing back on the IGB deck....on a related note, I am wondering if you can get the letter agreement signed fully by everyone at the meeting.
>
> John
>
> -----Original Message-----
> From: Ronald Kwan
> Sent: Tuesday, October 31, 2017 5:52 PM
> To: John Kim <John.Kim@ofina.on.ca>
> Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017
>
> Hi John,
>
> Please review.
>
> On a related issue, any comments back on the IGB slide deck?
>
> Ron
>
> -----Original Message-----
> From: Gadi Mayman
> Sent: October-31-17 15:54
> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>
> Subject: FW: Rate Mitigation Implementation Meeting - November 1, 2017
>
> -----Original Message-----
> From: Schlaepfer, Martin (ENERGY) [mailto:Martin.Schlaepfer@ontario.ca]
> Sent: Tuesday, October 31, 2017 3:52 PM
> To: Steen Hume (CAB) <Steen.Hume@ontario.ca>; Kaili Sermat-Harding (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Carolyn Calwell (MCSS)

<Carolyn.Calwell@ontario.ca>; Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Helen Angus (MOHLTC) <Helen.Angus@ontario.ca>; Steven Davidson (MTCS) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>; Karen Hughes (MGS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
Cc: Serge Imbrogno (ENERGY) <Serge.Imbrogno@ontario.ca>; Andrew Teliszewsky (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Matt Whittington (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; Kyle MacIntyre (MOF) <Kyle.MacIntyre@ontario.ca>; David McLean (MOF) <David.McLean@ontario.ca>; Robert Foster (MOF) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Francesca Bungaro-Yemec (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <SOM.Adam.Feather@ontario.ca>; Hilary Cox (ENE) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Patrick Laughton (MOF) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Keley Katona (ENERGY) <Keley.Katona@ontario.ca>; HAHN PARKER Janet - TREASURY <j.hahnparker@opg.com>
Subject: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

From:	Gadi Mayman
To:	Ken Kandeepan; Ronald Kwan
Cc:	Anna Strathy
Subject:	Re: Rate Mitigation Implementation Meeting - November 1, 2017
Date:	Wednesday, November 01, 2017 9:42:10 PM

thanks, Ken. I haven't been in the habit of sending comments to Martin's spreadsheets, so I won't respond to him, but thank you for sharing that with me so that I'm aware.

Regards,
Gadi

From: Ken Kandeepan
Sent: Wednesday, November 1, 2017 9:39:51 PM
To: Gadi Mayman; Ronald Kwan
Cc: Anna Strathy
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

Thanks Gadi, one comment:

o Provincial Protection and Assurances Agreement (OFA / OPG)
• OFA working with OPG, MOF, ENERGY, Blakes and Tories to finalize agreement by the end of the week

It will not be finalized by the end of the week, rather a draft will be provided to OPG and its counsel, finalization defined as all parties agreeing on the terms and conditions of the Protection Agreement and the Procedures Agreement is anticipated for the end of next week.

Thanks

Ken k

From: Gadi Mayman
Sent: Wednesday, November 01, 2017 9:26 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Fwd: Rate Mitigation Implementation Meeting - November 1, 2017

Begin forwarded message:

> **From:** "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca>
> **Date:** November 1, 2017 at 7:59:52 PM EDT
> **To:** "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, "Sermat-Harding, Kaili (ENERGY)" <Kaili.Sermat-Harding@ontario.ca>, "Calwell, Carolyn

(ENERGY)" <Carolyn.Calwell@ontario.ca>, "Nelms, Scott (MOF)" <Scott.Nelms@ontario.ca>, ""jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)" <jeffrey.lyash@opg.com>, "'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)'" <ken.hartwick@opg.com>, "'Kim Marshall (Kim.Marshall@ieso.ca)'" <Kim.Marshall@ieso.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Angus, Helen (TBS)" <Helen.Angus@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, 'LEE John -TREASURY' <john.s.lee@opg.com>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, Michael Boll <Michael.Boll@ieso.ca>
Cc: "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <Andrew.Teliszewsky@ontario.ca>, "Whittington, Matt (ENERGY)" <Matt.Whittington@ontario.ca>, "Baker, Carys (ENERGY)" <Carys.Baker@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Foster, Robert (CAB)" <Robert.Foster@ontario.ca>, "'jordan.penic@ieso.ca'" <jordan.penic@ieso.ca>, "'catriona.king@opg.com'" <catriona.king@opg.com>, "Bungaro-Yemec, Francesca (ENERGY)" <Francesca.Bungaro-Yemec@ontario.ca>, "Feather, Adam (ENERGY)" <SOM.Adam.Feather@ontario.ca>, "Cox, Hilary (ENERGY)" <Hilary.Cox@ontario.ca>, "Edwards, Matthew (ENERGY)" <Matthew.Edwards@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, David Barrett <david.barrett@ieso.ca>, "Katona, Keley (MOF)" <Keley.Katona@ontario.ca>, HAHN PARKER Janet - TREASURY <j.hahnparker@opg.com>
Subject: RE: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

Attached are the action items from today's meeting.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: October 31, 2017 3:52 PM
To: Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Sermat-Harding, Kaili (ENERGY) <Kaili.Sermat-Harding@ontario.ca>; Calwell, Carolyn (ENERGY) <Carolyn.Calwell@ontario.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; "jeffrey.lyash@opg.com' (jeffrey.lyash@opg.com)' <jeffrey.lyash@opg.com>; 'HARTWICK Ken -FINANCE (ken.hartwick@opg.com)' <ken.hartwick@opg.com>; 'Kim Marshall (Kim.Marshall@ieso.ca)' <Kim.Marshall@ieso.ca>; Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>; Angus, Helen (TBS) <Helen.Angus@ontario.ca>; Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>; 'CROZZOLI Carlo -CBUSDEV&STRT' <carlo.crozzoli@opg.com>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; 'LEE John -TREASURY' <john.s.lee@opg.com>;

Hughes, Karen (TBS) <Karen.Hughes@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Michael Boll <Michael.Boll@ieso.ca>
Cc: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>; Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>; Whittington, Matt (ENERGY) <Matt.Whittington@ontario.ca>; Baker, Carys (ENERGY) <Carys.Baker@ontario.ca>; MacIntyre, Kyle (TBS) <Kyle.MacIntyre@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Foster, Robert (CAB) <Robert.Foster@ontario.ca>; 'jordan.penic@ieso.ca' <jordan.penic@ieso.ca>; 'Turnevicius, Lorraine' <lorraine.turnevicius@ieso.ca>; 'catriona.king@opg.com' <catriona.king@opg.com>; Bungaro-Yemec, Francesca (ENERGY) <Francesca.Bungaro-Yemec@ontario.ca>; Feather, Adam (ENERGY) <SOM.Adam.Feather@ontario.ca>; Cox, Hilary (ENERGY) <Hilary.Cox@ontario.ca>; Edwards, Matthew (ENERGY) <Matthew.Edwards@ontario.ca>; Laughton, Patrick (TBS) <Patrick.Laughton@ontario.ca>; David Barrett <david.barrett@ieso.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>; HAHN PARKER Janet - TREASURY <j.hahnparker@opg.com>
Subject: Rate Mitigation Implementation Meeting - November 1, 2017

Hi everyone,

Please find attached the material for discussion tomorrow.

Thanks,
Martin

From: Nelms, Scott (MOF)
To: Ronald Kwan
Subject: Re: Rate Mitigation Implementation
Date: Friday, March 10, 2017 10:33:39 AM

Thanks Ron. It's a bit long, but I was hoping it would be helpful.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Ronald Kwan
Sent: Friday, March 10, 2017 10:32 AM
To: Nelms, Scott (MOF)
Subject: RE: Rate Mitigation Implementation

Hi Scott,

Thanks. I used to send weekly updates too, back in the IPO implementation days.

Ron

-----Original Message-----
From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: March-10-17 08:35
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: Fw: Rate Mitigation Implementation

Good Morning,

Please see the following update and attached materials relating to Energy's kick off Fair Hydro Plan implementation discussion.

Scott

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, March 9, 2017 5:23 PM
To: McLean, David (MOF)
Cc: Kennedy, Nancy (MOF); Young, Gwendolynne (MOF)
Subject: RE: Rate Mitigation Implementation

Hi David,

I thought I would share a high level summary of this morning's discussion.

The meeting started with a conversation around structures and how Energy plans to move all of the elements of the Fair Hydro Plan forward. In essence, these Thursday meetings will become a regular occurrence (next week is scheduled for Wednesday). This will act as a feeder for issue specific working groups in order to have a single window for reporting in on progress and issues that require resolution. See attached "OFHP Gov and Delivery Structure" for details. There will also be regular DM level updates to keep respective Ministries apprised of progress.

GA Smoothing (Blakes Update)

Blakes, who has been engaged by the Ministry of Energy, provided an overview of the Long Island Power Authority securitization structure that has been referenced several times as a model (albeit smaller) for the GA Smoothing mechanism. Here are some high level details:

o Nuclear facility mothballed and facility costs needed to be repaid over time
o In part as a result of this large liability, LIPA's credit rating was weak increasing borrowing costs
o Created framework in legislation, allowed for a financing order every time the separate entity went out for financing (abbreviated hearing to review merits of case)
o Role of Financial Regulator (closer to OSC than OEB):
· Public Authority Control Board
· Abbreviated hearing
· Form over substance, to ensure calculations are correct
· Regulator needed to be sure that issuance designed to receive lower cost borrowing + meet objectives of the legislation
· If stakeholders want to challenge the validity of order, had 30 days to do so and then foreclosed, after 30 days bonds could be issued
o Asset:
· Order and charges irrevocable: right that could not be changed
· True-up mechanism: ability to adjust collections from end users to ensure cover principle and interest
· Ensure consumers cannot bypass system (pay as long as connected to the grid, whether consuming or not)
· Charge not more than 10% of bill
· Set up as a "true sale" - rights around asset protected
o Unique features (would not apply in Canada):
· State pledge: state would not introduce legislation or do anything to affect rights of assets or bondholders
§ Creates a constitutional right, if reversed is a "taking of the government" which results in a particular process
· Bankruptcy: bondholders can make an application to court to direct payment to bondholders
· While these elements cannot be replicated in the same way in Canada, Blakes suggests it will be important to enable similar protections under the Canadian legal framework to the extent possible

Blakes also walked through key elements that the market and rating agencies will seek in order to ensure this is financeable (according to Blakes there will be an expectation that mitigation measures will be in place for each):
· Size and breadth of customer base
· Non-bypassability
· Volatility of policy environment
· For more details, Blakes suggests reading the attached Moody's guide

GA Smoothing (OPG Update)

OPG walked through the attached summary workplan providing an update on key buckets of work including that included a number of touch points with the OFA and MoF focused on process for borrowing and equity infusion both at inception and ongoing approvals. Note that OPG is conceiving of each incremental debt issuance as an amendment to the borrowing agreement rather than as individual tranches in order to avoid differentiation between bondholder priority thereby minimizing long term interest costs. Note that working groups are beginning to meet to think in more detail to think through these issues.

GA Smoothing (IESO Update)

· IESO is thinking through what needs to be in legislation, regulation, market rules and in an agreement with OPG.

· IESO is also working with OPCD and KPMG to finalize its revised financials to incorporate its market books. IESO will file its audited financial statement with the AG in May. Further thought is needed on timing and level of engagement with the AG's office.

· On a related note, the AG has reached out through OPCD for an initial briefing on the Fair Hydro Plan.

GA Smoothing (Legislative Drafting Update)

· Energy legal expects to have first drafts to share shortly for input

· Targeting mid-April for approvals

GA Smoothing (General)

· OEB was also included in the discussion and continues to have concerns about its role in the process. Further consideration is required in the context of accounting and financing imperatives

Other Updates

· Work on the RRRP, OESP and First Nations rate is progressing in parallel. There was some talk of inclusion of these elements in the Budget Bill, but no certainty on whether that would be possible from a timing perspective.

· The Affordability Fund is moving on a more expedited path. A first draft of the TPA has been shared with Hydro One for review. Hydro One is working to establish the Trust.

Thanks,
Scott

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Gadi Mayman
To: Ronald Kwan
Subject: Re: Rate Mitigation Implementation
Date: Thursday, March 16, 2017 5:31:53 PM

No, I haven't heard anything about that meeting.

On Mar 16, 2017, at 4:57 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

> Thanks Gadi.
>
> I can`t recall if I had noted to you earlier that TPD had been contacted on point 8. I noted to Sriram and Energy that the point was general, and not necessarily tax-specific options and, therefore, it would be good to have staff from here attend too on rate mitigation options. I have yet to see a meeting notice on that. Not sure if you would have heard anything on that.
>
> Ron
>
> ---
>
> **From:** Gadi Mayman
> **Sent:** March-16-17 16:42
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Cc:** Christina Zhang <Christina.Zhang@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Subject:** FW: Rate Mitigation Implementation
>
> FYI
>
> ---
>
> **From:** Katona, Keley (ENERGY) [mailto:Keley.Katona@ontario.ca]
> **Sent:** Thursday, March 16, 2017 2:33 PM
> **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Subject:** Rate Mitigation Implementation
>
> Hi Gadi,
> Per your discussion with the Deputy, we'll be adding you to our weekly rate mitigation implementation meetings. Attached, for reference, is the material from this week's meeting.
> Keley
>
> **Keley Katona | Director of Operations**
> Deputy Minister's Office | Ministry of Energy
> Tel: 416-326-7688 | BB: 647-980-4634
> E-mail: Keley.Katona@Ontario.ca
> 4th Floor, Hearst Block, 900 Bay Street