Maksymuik, Amanda (ENERGY)

Subject:	Ontario Fair Hydro Plan
Location:	199 Bay St. - 40th Floor, Blakes
Start:	Mon 04/10/2017 10:00 AM
End:	Mon 04/10/2017 4:00 PM
Recurrence:	(none)
Meeting Status:	Accepted
Organizer:	Calwell, Carolyn (ENERGY/MEDEI/MRI)
Required Attendees:	Rehob, James (ENERGY); Shear, Dan (ENERGY); Kacaba, Jennifer (ENERGY); Nelms, Scott (MOF); Hume, Steen (ENERGY); Christie, Tim (ENERGY); Leslie.Wong@opg.com; 'MCAULEY Tyler -LAWDIV' (tyler.mcauley@opg.com); John.S.Lee@opg.com; JUDY.WILSON@blakes.com; Stephen.Ashbourne@blakes.com; Bryson.Stokes@blakes.com; 'Alan Hibben' (alan.hibben@rogers.com); Brad.Purkis@tdsecurities.com; Maharukh.Hilloowala@tdsecurities.com; Michael.Wolff@tdsecurities.com; Harold.Holloway@tdsecurities.com; 'Niehaus, Katrina'; 'Benaiah, Ian'; Nevison, Gary (Gary.Nevison@tdsecurities.com); Thom, Trevor (Trevor.Thom@tdsecurities.com); Akman, Steven (Steven.Akman@tdsecurities.com); Thompson, Susan (Susan.Thompson@tdsecurities.com); Manii, David (david.manii@tdsecurities.com); michael.boll@ieso.ca; Kim Marshall
Optional Attendees:	'Feldman, Michael'; 'Persaud, Donnie - Debt Capital Markets'; 'Hill, Krista'; 'Turnbull, Vickie'; 'Dal Bello, David'; 'Mansoori, Nina'; 'Sebastiano, Rocco'; 'Fitzpatrick, Michael F.'; Veinot, Cindy (TBS); 'Glenn Zacher'; 'O'Brian, Adam'; 'Emes, Aaron'; 'Peter Hamilton'; 'JORDA Jenny -FIN & C CTRL'; maryanne.aldred@ontarioenergyboard.ca; Petsche, Nadine (TBS)

Update

This meeting has been extended from 2:00pm until 4:00pm.

Hi Everyone,

This will be a meeting to discuss the Ontario Fair Hydro Plan (OFHP).

The meeting will be held at Blakes and the main contact on site will be Lindsay Dicks (416-863-4347 or Lindsay.Dicks@blakes.com). Please inform Lindsay if there will be additional people attending from your group because she will need to pass this information along to their security desk.

To the representatives from OPG, please forward this meeting invitation to your respective outside counsel for their attendance.

Any materials available for this meeting will be provided in a future update.

If you are unable to attend in person, please use the following conference call information:

Maksymuik, Amanda (ENERGY)

Subject: Ontario Fair Hydro Plan
Location: 199 Bay St. - 40th Floor, Blakes

Start: Mon 04/10/2017 10:00 AM
End: Mon 04/10/2017 4:00 PM

Recurrence: (none)

Meeting Status: Accepted

Organizer: Calwell, Carolyn (ENERGY/MEDEI/MRI)
Required Attendees: Rehob, James (ENERGY); Shear, Dan (ENERGY); Kacaba, Jennifer (ENERGY); Nelms, Scott (MOF); Hume, Steen (ENERGY); Christie, Tim (ENERGY); Leslie.Wong@opg.com; 'MCAULEY Tyler -LAWDIV' (tyler.mcauley@opg.com); John.S.Lee@opg.com; JUDY.WILSON@blakes.com; Stephen.Ashbourne@blakes.com; Bryson.Stokes@blakes.com; 'Alan Hibben' (alan.hibben@rogers.com); Brad.Purkis@tdsecurities.com; Maharukh.Hilloowala@tdsecurities.com; Michael.Wolff@tdsecurities.com; Harold.Holloway@tdsecurities.com; 'Niehaus, Katrina'; 'Benaiah, Ian'; Nevison, Gary (Gary.Nevison@tdsecurities.com); Thom, Trevor (Trevor.Thom@tdsecurities.com); Akman, Steven (Steven.Akman@tdsecurities.com); Thompson, Susan (Susan.Thompson@tdsecurities.com); Manii, David (david.manii@tdsecurities.com); michael.boll@ieso.ca; Kim Marshall
Optional Attendees: 'Feldman, Michael'; 'Persaud, Donnie - Debt Capital Markets'; 'Hill, Krista'; 'Turnbull, Vickie'; 'Dal Bello, David'; 'Mansoori, Nina'; 'Sebastiano, Rocco'; 'Fitzpatrick, Michael F.'; Veinot, Cindy (TBS); 'Glenn Zacher'; 'O'Brian, Adam'; 'Emes, Aaron'; 'Peter Hamilton'; 'JORDA Jenny -FIN & C CTRL'; maryanne.aldred@ontarioenergyboard.ca; Petsche, Nadine (TBS)

Update

This meeting has been extended from 2:00pm until 4:00pm.

Hi Everyone,

This will be a meeting to discuss the Ontario Fair Hydro Plan (OFHP).

The meeting will be held at Blakes and the main contact on site will be Lindsay Dicks (416-863-4347 or Lindsay.Dicks@blakes.com). Please inform Lindsay if there will be additional people attending from your group because she will need to pass this information along to their security desk.

To the representatives from OPG, please forward this meeting invitation to your respective outside counsel for their attendance.

Any materials available for this meeting will be provided in a future update.

If you are unable to attend in person, please use the following conference call information:

- Carolyn introductions. April 10/2017

- OPG →
  - ↳ Trust - detriment of control.
    - Principles - white paper with table of security requirements
    - key principles
      - ① OPG can't be agent of province
      - 2 ↳ can't be under direction from province
        - ↳ consolidation of trust fails test - would negate purpose of security.
        - → Some of terms may be seen as make agent of province
    - → Sec 4 - Walford develop terms for OPG to consolidate trust - requirement to consolidate flow through acceptable

- Last review.

- Steve – area of agreement –
  - fatal flaw decisions –
    - helpful to see what you saw as fatal.
    - not typical securitized,
  - very useful differences btw 3 structures.
    - 2 accounting call.
    - more dramatic than this is typical securitized deal.
  - when you look at subsets need not to overdue scrutiny side & come to right thinking

OPG – not definitive – one is missed that is fatal – need strengthening effect somewhere else.

Steve – VIE 2 GAAP basis?
- primary beneficiary –
- who would it be other than OPG

TD – looks at agent approach –

Tony – whether country can be
incorp.

CL= – solve security issue – if
we can – go through sec,
security points

Tony – many more comments – around
to these –
– off balance sheet option – is
part that –

SA – 3 specific work streams –
– mutual work up.
– elliot list from dealers,
– OEB issue,

– Michael's work up,

Elliot

– critical issues for dealer.

① market disrupt.
– dealers view.
② pro. step in pay of debt
③ right to recover from
marketparty right away

CIBC – eg. accordion facility
- structure for term takeout if mkt doesn't come back
- can't finance shortfall.
- need to

Carolyn – easier for province to step in.

CIBC – don't want to be stuck for 15-20 years w/o getting paid
- flexibility in structure so that not required to carry.

CC – in legis? or commercial terms?
- some could be dealt w/ through commercial terms
- on the table

Michael – maybe able to defer waiver of provincial backstop
- province needs to do what necessary for accounting treatment

OPA – more protect province provides harder to argue consolidate by OPA

└ EJD - present for tradition - federal.

OPC - document thoughts so that can take away to consider.

#4 - Personal Controls
└ CC - understand need for undertaking - wording will need to be settled.
- appearance of success
  - will address
- contractual guarantee.

#2 - FAP -

Steve - need goes to root of any mkt sound logic - ( )
- take as given & recognize, will be a soft & guideline as can be reasonable cycle
- start in premise - working it
- service guarantee - raised by Michael

Steven – presumptive [illegible] as guideline
that [illegible] can follow.

–

Butler – to extend can't apply???

Aaron – CWE as though law to be.
to ensure not complied
– ~~with~~ don't want to ~~be~~ to
presumption – it's all under.

Steve – wants to pared down version
of legis.
– whether legis as drafted
invites attack.

John – legis for EAP – framework &
presumption

Steve – 2 levels – legis will
presume AP.
– leg. will set out principles
– plan drafted.
won't be a scheme.
but will be principles
& parameters will have
range for decision
makers
– ability to amend plan subj to
[illegible]

APG .- who develops?

Steve - not there yet - tension in it

- if FAP is policy document, need more expertise to look at picture.
- if OBG bid - many consulted & costs.

FAP - Comp. / FR APG puts out.

Idea - if 2016 APG to force thing vehicle - then to avoid & rule which affect financing

Kurta - timing - not laughing on anything
- revision doc (2)

Shaun - turned a doc - that doubts in comments
- Lots of open issues
- want input feedback is detailed feedback.

7/20/05

#3 - concern not too prescriptive
- want to ens
- too detailed & more flexible.
-

Steve - can you make more flexible
- set a bar necessary except
at table tiers plan
- adds flex [illegible] of substance
to what is fundamentally
sound design
- nothing written in stone.

CC - hear your view of what
can go in legis vs. reg.

Stan - why would prevent the
unfettered ability to [illegible]
party to appeal disproport.
changes.

John OCC - can do that 2 -> bet if
one party - see as acting
as arm of process

Stan - balance in how unfettered
process creates propn
changes over time

14 Rocco
- Q: isn't it saying plan have regard to purchase price from 2008

52 - explain updated as info unfolds
- need to know [illegible]
- should have regard for these things - that hold oblig. to b
- how detailed [illegible] rights
- who has approval.
- scope of approval

54 - ? were obvious challenges to have funding arrangement - that it was approp.
for lawyers to say -
- need to have it this level.
→ use reserve funds
- not intended to be limit
→ reasonable [illegible]

- for allocat. curve is [illegible]
- if don't have reasonable expect. can't make sense.

Steve –

ME – seller / buyer – who does what
- OPG has it plans.
- may or may not be accept. to
province

- provin has to make decis.
- purchase plan w. regs, – if can
sell in accordance just do
it.

- prov. can't tell OPG / finacy
to buy. entity

- buyers plan / sellers plan
- province can't tell OPG to buy
be their agent of gov't

Steve – agree
- plan exists – John has plan
see if any other third party
demonstrate that [illegible]

ME – logically how state
delegates to purchase price
- OPG has decis. to buy or
not to buy.

SA - nothing compels OPG to pay and
- have to have corresponding plan.
- parameters identified by [illegible].
- what are obstacles.
- what is a responsible piece of leg.

SA - everyone can't ie thought delay to OPG to implement.
frequency
- level of review after plan.

OPC - shall vs. it will be expected that

#5 - [illegible] on defaults under program -

CC - like idea of that -
- we understood that detail to be [illegible]

#6 - ability for [illegible] [illegible] to become what they have

CC - we heard this was problem
- helpful to [illegible]

OPG – quick · we recommend .
–

Stn – workable plan – look at
inputs down stream
– once that is needed it
that is locked down –
– ability to fill in around it
– this is interplay between 2
things .

#s – OEB no role – understand from
caution version –
– role needs to be signif limited
– for trying to achieve – importantly
– no approval rights over
ability
– once financing in place
– can't be someone who
can say – don't like

CL – we underst. imposs.
to have OEB review
cont. already underl
– need to balance
ratepayer interests

LL - Now has to accept need and asset established

- trying to solve for certainty without
- don't want OEB to have to approve something has no control over

2 - Rocco
- cost incurred deemed approp
- shortfall.
-> determining which path.

OEB - want to use existing process as much as possible

Carolyn - leave a concept basis - not detailed

OEG - up

#8 - preference - to have single franchise entity own all assets
- open to having possibility of multiple entities

#12, only people who are recognized owners
- virtually open - no one else permitted to own assets

There - lessor sells - purchaser lessee sells to sells again.
- legis. would not extend concept of SEV.
- legis. not determ of what day - still have ability to negotiate terms etc.
- Single A equivl.

Lessor sells right - & no rights & oblig.
-
Rocco - rights from assets.

#9 - restated. fuming entity can't be wound up or dissolve
→ not anticip. in legis.

SK – creation of vehicle contemplated
loosely
– want to get deal unless
~~[illegible]~~

MF – OPG controls trust – OPG
can't wind up bus.
– until debt repaid OPG
can't wind up
– not without control
unless [illegible]
says ok.

Ar pt
in
neg.

CBC –
rating agencies concerned re
size of transition charge
– IESO able to fund funding shortfall
through program.

SA – Its regulatory asset bonds
rights associated in
[illegible] the concept vested
– transit charge on bill has
to have recaptured

– rating agencies model entire
charge if too big –
varies depending on perform.

- rating agencies downgrade
 - if we are target being beyond survivor - have [illegible].

SA - when do deal deal has covenant pattern
 - covenant of that sort - focused on AAA rating deal in the doc.
 - if want to embed - LESO can't sell in 3 tiers - not sure what'll contain.

Reco - if shortfall - permit LESO to proceed
 - consistency w/ LESO & other entities

2 - result of asset is worthy liability - [illegible] request - liability - both SE

 - so rating agencies took at change historically

SA - legis or regs?

KSO - might not have variance
- forecast variance - coming from
period of time.

-

SA - any doc needs - KSO asset
referenced in their books.
- can be borrowed by asset
Shell not both [illegible] X.

-

Tony Sales agreement - KSO conf.
zoning covenant.

KSO - theoretical right to reclaim
from ratepayers - has to be
some way to reclaim

SA - mechanic - after debt serviced
whatever cash flow generated
- that gets sent out

Q – if LGSO takes credit from electricity does it raise accounting issue

SA – [illegible]

Lunch break

- welcome feedback issues list,

US
- ① underpayment from customers
  ② underpayment on remittance by LDC,

- SA – billed collect.
  - LDC has to put # in front, to overlay right on collect

→ can LDC trace what is billed to what is collected?

- have to be able to split out bills

US banks
↳ amt remitted – on daily basis through securitized.
- everyday through.
- daily remittance.

OLB – monthly currently.

US – is daily remittances – reporting / tracking reasonable

- idea that can't be worse of – don't have some priority rights to collect

- will want to know have rights for this

SA – table this what is structure whether possible to [illegible]

US – cust. risk – they pay less than you expect

11- ability of court to order
payment of transit [illegible] -
charg

CC- agree on concept -
mechanism vs pref

12- what are class.

CC- OREC eligible -
very defined -
- class of people - not
unit.

13- True ups - every 6 mth
possib. more often

CC - understand need
- provide language are
long. undr.

15- Safety valve true-up
ability to adjust more
frequently

14 - month to month true-ups
- gap - avoids
- don't expect 1650 - will know
- follow month - true up for preceding month
- mechanics baked into def'n

5A - current contemp.
- est for 6 mths - true up at end

Rocco: end of 2019 - part of Shortfall
- concern re lag -
& could be done in Reg

15 - agree on part.

16 - trans charges are inevitable
a - build in futurability - how much room in future
- concern re commodity in short term

#16 what if shortfall in mth? -
- Rocco - preference some of the mechanism -

- no intent for this

- strong views on [illegible] change

Mi - IESO no access to transit changes.

2 things
① IESO how to create reg. asset by recording reg. balance in account.

- as long as assurance from OEB

- no one plans for this loss to be recovered

- might be to recover and have understanding OEB will let them recover from ratepayers

MF - LESO doesn't need access to transit changes.

SA - mechanics - look at next draft.
- inherent cost to create discontin in asset
- test that.

OEB - quest.
- Cong. degrees RTP done yearly
  we do 6 mth
- is 6 mth critical?

US - separate change - separate true up
- every 6 mths - both from rate pg perspective
- Sep. change / sep. true up

OEB - bring into bill presentation
- issue?

Rocco - portion of bill belongs
to someone else
- money & needs to be
tracked
- if CDC's can split out
have merit.

MF - def'n of regulatory asset
def'n shortfall (IESO nearly
based on GA
- may be tricky - bc deferral
not tied to GA)

SA - orig. doc - tied to shortfall
from power contract
- to come up w #'s
- created structure to recalcul.
benefits of plan from incep.
- tried to make clearer
FAP - cost & benefit entitled to
the
- looked back - no correl'n
btwn ratepayer charge
- too much - subjective
allocation

MF - our asset tied to funding
attempt. - LESO creates
asset w/o warrant.
- nature of asset depends
on liability creating
- buy defeasance - pay for it
- and asset is different for
LESO's once we buy it.

CL - draft [illegible] circulated
Wed
→ standalone act

Post-BoG Meeting;

CC – how to meet accountability test
- tie into what already happening;
- aren't taken off bills in Many – creating shortfall for LESO

LESO – if RPP set lower by whatever set –
- below rate making
- would create
@ – as long as Reg/By refers to;

MB – some of discuss – might of recommen for LESO;
- initial price setting +
transact change – whether its RPP in reverse –

–

MB - transit change not LESO part of asset.

SA - ① sell you something arrives at your door - tangible
- whether tokenizable

② RFP includes.

MB - wealth of data creates regulatory asset.

LESO - we have legis right to recommend.

prov (PD) controller. - to be called regulatory asset

OEB - intangible asset.

$ prov. contr - what OEB mandate will be

=>

LESO - 4 recommendations
- need existing RFP process
? #'s.

OEB -

Q - whether amend legis to allow
us to categorise
amts

IESO - in first several yrs - every
month shortfall &
- us will be able to track, &
& carry 2 variance accts
① - RPP forecast
② GA deferral } this is what
we sell.

- Then - won't have to sell both)
- IESO don't want us to
sell forecast variance.

SA - to recover amt associated
w/ new legis basis

Judge - Gap getting bigger - scheme
to collect will continue
to exist - except
if need scheme to track
uncovered

- Sen/KL - new input is cancel less.
  - if fail - OEB adjusts rates - less collected choice.

OEB - 2 prob to solve for.
- use RFP processes.

Andy - golden threshold draft
- impress from moody's.

OEB - could moody's be persuaded that current infrastructure works

SH - looking for insight of act that's framework
- not trying to Δ flows
- moody's wants to know full picture

MB. 25.33 tells us to settle GA
in short period.
- If defer amount amending 25.33
whether stop & put back
in RFP.

SA - principles only discuss - docum.
won't be into final.
- GA piece which relates to
green energy plan
replacing green adjustment with
what ever [illegible] there was
subjection -
- then let's take up
essentially extended.
< unless want to double
change - pull that out of
GA calcul.
- [illegible] amend to EA -
- then 2 strands - regulatory
change under LTE plan
-

OPG – overspend in past: notl credit
these guys funding – draws
down credit

- if FRP set outfunding law.
- program rolling under collecting
if selling to OPG fin
- if falls away will run out of
room on credit.
- if OPG stops buying assets
program falls apart.

regulatory asset – future right to
collect $.

- IESO right of recovery.

IESO – regulatory asset
– funnel through transmission
charge (?)

SA – need exit mechanism.
– need book entry in legis.
– once do – right to
charge through

LSSO - need right to recover.
SAC comes from transmit. rights
- ~~[illegible]~~ entry
- makes 2 diff [illegible]

OEB - Cong's should be sufficient
- don't underst. why not suff
- security orders optn.

MB -

OEB - role on option
- not underly docs - point to reg
- current RPP.

OPA - here is symbol on balance sheet - OEB used when setting RPP.
- assume more generic variance account
- want w/ smoothing - to retail consumer - keep separate

SH - whether separately commented on bill.
- [illegible] to be able to

(RPP elig't)
4 variances

OEB - set RPP on 2 bases - what it would have otherwise been & with smoothing - taking 2 variances

SH - doing GA calcul. w/o regard to farm hydro?
- benchmark against which to deduct.
- GA calcul. has regard to body of weights - then adjust
- if carry here - take out of GA - calculation

- trying to maximize

CC - nuclear order - how does thing line up.

OEB - reg come out
- applicant comes from request security order
- it specifically related to something
- delegated to staff
- a prompt from applicant.

CC - regs
- regs few days later
- KSO have authority to [illegible] [illegible]. of requiring [illegible]

OEB - reg to authorize security
- a hearing not required

CC - when do you need security order

IESO variance acct request two
months than budget.

- RPP - manual adjustment?

OEB - fall in line w/ how 95/05
needed.

- KPMG wants OEB blessing

CL - practical reality - shortfall
in June.

- could have order.

IESO - 1st shortfall - June 14

- incumbent on LDC's to
tell us homeowners

- they tell us on monthly
data.

CL - how often need order?

IESO - once a year

OEB - being found in todays
plan

- as long as regs in force

OEB - recovery mechanism different -
not through OEB,
- its own mechanism

Le OEB looking at costs incurred
- IESO - Fee - model.
- how did you carry out - what did it cost you.
- OPG admin those costs.
- OPG payment - not equity.

Cindy - financing costs vs. admin. costs
- fact that asset created conveys right to recover principal

Sk - that is financing plan
- scopes it out
- OPG does plan - no one, prevailed in on top

Finance plan - performance component build it.
- following curve.
- at risk component -

- [illegible] plan & if you don't like it fire us

OPG -
① movement free press
② economic.

SA - when do treasury plan - will be benchmarked against

FAP - e:

- SEA - explicit. for 4 1/2 yrs - when will

LESO - shouldn't # show up in 6-7 yrs - when OER sets REP?

OPG - we envision straight line decline picture
- one variable that's flexible is ratepayer in future
- ratepayer outlook comp is one comp
- more of [illegible] by evening.

SA - Popul. in compo or consump
gets bigger.
- curve too high - when do
you reset?

OPB - part of mech. - need re-think
of whole consump. looks late

SA - dynamic curve that means
variables over time.
- picture not as clear

OPB - FAP tied to how often
update forecast outlook
- need data + interest
piece
- see curve tied to fill in
& move up.
- keep synchronize of the
relationship
- scenario analysis

Foley - cannot do anything adverse
to interest in mkt,

CL - logics - you & will do FAP
by these principles can't
into as maybe prescript

- Repo prescribe - & then
do plan
→ balances curve.

- CC - date & release curve
at public amount

SA - can is instrument
its formula or parameters
- important #
presenting value of benefits | Volume | interest rates

P2 - 2 Chart - CCSA fates applic.
to approve fees.
- OEB re

- IESO has shortfall in early periods
[valuation variance]

SA someone has to run math -

~~IESO~~

- gov't sets FAP.
- OPG trust - tracks FP.

- who tells OEB what to increase rates by?

→ reg

- repayment period
↳ OPG estimates through FP. having regard to Sched 1
→ feed to IESO
→ then IESO sends to OPG for ~~[illegible]~~ costs

OEB - review?

"Tim - 10 yrs down - know volume
- if this/that = X.

- proof of sign to retailer.

- Tim
- same volume rate feed into calculation seen.
- right now pay retailer + GA
- know average price - add on recovery amt.
- adder put into RPP

Tim
- comfort letter talks to RPP

Can May 1
- only RPP.
- yes

SA - won't be transit. charge
for period of time

OCB - inflation
- no more than

SA - blended rate - expected
finacy 40 bz

Tim - flat charge => problem.

SA - no exit chrg
- if purely voluntary - they
have free pass

SA - dealers worry about bypass
risk
- stay connected.
- people on grid not using
have to bear share.
- dealers worry if everyone
goes solar.

SA – flexibility be part of allocated
methodology