Maksymuik, Amanda (ENERGY)

Subject:	Ontario Fair Hydro Plan
Location:	199 Bay St. - Blakes
Start:	Wed 04/05/2017 10:00 AM
End:	Wed 04/05/2017 4:00 PM
Recurrence:	(none)
Meeting Status:	Accepted
Organizer:	Pau, Joseph (MEDG/MRIS)
Required Attendees:	Calwell, Carolyn (ENERGY/MEDEI/MRI); Rehob, James (ENERGY); Shear, Dan (ENERGY); Kacaba, Jennifer (ENERGY); Leslie.Wong@opg.com; 'MCAULEY Tyler -LAWDIV' (tyler.mcauley@opg.com); Michael.Boll@IESO.com; JUDY.WILSON@blakes.com; Stephen.Ashbourne@blakes.com; Bryson.Stokes@blakes.com; DICKS, LINDSAY (LINDSAY.DICKS@blakes.com)

Hi Everyone,

This will be a meeting to discuss the Ontario Fair Hydro Plan (OFHP) and will include Blakes, Torys, OPG, IESO, and Ministry Counsel.

The meeting will be held at Blakes and the main contact on site will be Lindsay Dicks (416-863-4347). 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 and IESO, please forward this meeting invitation to your respective outside counsel for their attendance.

Please review the attached Agenda and Fair Hydro document for this meeting.

Ontario Fair Hydro Plan - Ag...   23107566-v5-Part V.2 of the El...

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

Toll-free dial-in number: 1-866-633-1033
Local dial-in number: 416-212-8013
Conference ID: 3164921#

If there are any additional scheduling needs or updates, please contact Joseph Pau (416-326-1018).

Thanks,

Ontario Power Hydro Plan Meeting April 5/2011,

- Carolyn - review of timelines

- Steve - Building Blocks, - reviews
  ↳ yesterday - thanks ab

  - purpose - to frame out bgs. to respond to legal parameters - not go beyond what we need to say

    - delegat. to Minister to establish fair allocat plan - tie into asset we are amortizing & allocating,

      - the - establishment of what funds can arrive.
        - amt of finances returns to shortfall.
        - fair alloc plan - maximum
        - treasury plan - method by which shortfalls pushed forward
        consideration exceeded challenge against rate base.
      - building blocks meant to create flexibility

- mgt capt. mkts + several close cousins in US & Europe.
- expectat. is moment shift ~~assuming~~ goal to enter mkts in AAA rating
- this is something we all aspire to - may not get there.
- strength of legal opinion whether under correspondence & civil law can do expertly
- delegat. have to be understood in context of govt goal
- spent time in ~~consultants~~ to identify what they really need
- ~~treatment~~ as regulatory asset is important - ~~mgt~~
- ~~these~~ are priorities trying to work w/i.
- critical sense - what the timing / potential flow issue are

- Issue identified → Treasury

Michael:
Torops' ~~to~~ lean more on Treasury
- so that when discuss acquiring asset — know what concepts are

- concern what happens if can't finance deficit
① gov't admits mistakes
② says can't face in capital markets — takes on & finances self
③ LESO takes on debt

Steve
- once logis in place then will be TE-TAR
- logis. will allow gov't to pass through whatever is insured
= there will be asset concept
- liquidity issue solveable if have right into collat
- to achieve objective need liquidity. Don't know

- if we get it figured out -
Michael worker
- desperately exists - will there
no - one -

→ drafting - concerns with skill:
- not accept the form
bantering people

- in everyone's interest to
figure out how to do capital
interest product that is selling
- improve restrict / problems
revenues - when add up
barriers see uncertainty

Michael - process is fluid /
dynamic - can't solve for
100% certainty -

-

Steve - agree - don't want
to impose anything
- Starting place was market
precedent
- provis. in statute that
create property rights
raising novel issues

Steve -
CC - instruct. to create most
Solution product.
- some of

Peter - areas in structure of
unenforceable legal risk.
- charact. of property.
- charac of banking

- prospectus for Florida & New
York both say - no risk.
- very concerned not proceed
on risk free structure
- not 2 standard, opinion
securitization.

Steve
Federal bankruptcy law is paramount -
- opinion given in 2 times -

three areas
① constitutional issue - premise is
that this is not indirect tax.
- so long as at point prop
apparently - statute sufficient.
- s. 92(A)(4) - allows prov.
with to generate of electricity
indirect tax.

- problem is moving tax issues for govt

CE - accounting issue is deal killer.
for provinces

Kristza - is prov. in posit. that would
use ever?

Steve - want to get deal done -
- if when challenged legis. could
stand at 32(a)(4)
- if reasonably expect presumpt
factual balance - that will
be protected in legis

Kristz - quest. re- status of research on
life of equip.

Steve GA is period change -
- asset accounting is definitions point.
- ability if we are carved at
out of GA - would be.
acceptable
- first 4½ yrs - concept is rebate,
current ratepayers looked at
bills paying too much
- recalculate carry value of
assets.

- - procurement.
Report will to to 23 yrs.

- Don't incentive -- to go out & create equipment.

Mike - sounds like shortfall to specific contracts - GA shortfall much larger.

- report - value of extending amortization. guess 25%

[illegible] - will have some sort of quantifiable amt - may not match period to period

JR - GA - mechanism by way

[illegible] - agreement amt for defects may not exceed GA.

- if for construction reasons explain why underlying [illegible] assets have longer life

~~[illegible]~~ ② we know that need facts
working hypothesis
② concept of fairness how is defined
need concept that rests on idea
of spreading costs over multiple
~~[illegible]~~ present.

Costa - report -
CL - don't accept its help.
reconsider comments

Steve - don't create bogus focus
on specific aspects to be
found
- others on different paths

Tony's
① does eligible class cover every

~~[illegible]~~ REP eligible - who are paying CA
- those various classes of
customers

② Glen - consumables & gas
small part of CA.
~~[illegible]~~ # of programs to apply
- not equal footprint full
scale.

Carley - dates driving have to do in house vision at start of June,
- a lot of things can follow this
- unless have lengths - can't do any of this

Tom - report comes before debt manual.

CL - bills reduced as per.

Kessa - ability to fund for short period of time
- talking w OPG about why
- but report also follows

Steve - scope out w/ diversity that deal w issues of same p...

- tasoc purview of withdrawal what gov't has done
- look at makeable things built into strategy

JM

- construct from this purpose is one that need to drill down on.
- what to scope out formally
- there will be gap - e.g. focused on way to solve it.

MB - unrecovered transition def'n - shortfall btwn what collect from LDC & pay generat.

Steve - Gen'l acct - you can draw from over time.
- ties to GA.

- funding gap will be known. amended in subsequent months

period transit charge - based on estimate of what costs will be - gets trued up -
- e.g. shortfall -
- IESO has variance - that want form.
- 6 mth - come up w/ the new invoices to LDC's when amt is less than required true up

Michael - what we see as regulatory difference than what team have to pay & what LESO billed - and they will reporting deficiency

Steve - funding shortfall.

OPC. today
- concerns re: funding entity funding retroactive true-up

Shems from LESO.
① Variances
② OREC.
③ additional LF under this prog.

- current RFP - forecasting variance

Steve

Michael - don't tie long vs. down to specific structure.
I like to squeeze these things are worth

Peter - owner of doc titled - IESO key [illegible]

Steve - whether inclusion of [illegible] is such a fatal flaw)

[illegible] Harmon - put in [illegible] that its property right.

Michael - asset is the right to bill right to collect.

Steve - right in respect of receivable
- want right to future [illegible]

Michael - say its present property
what is this?
a bundle of rights
license
- right to fish for as much you need to
- right that takes on character depends how much [illegible]

Marker 30 yr licence can't be taken away

IESO/Stikemans - can't give opinion that have validly transferred rights (perfection opinion)

Peter - legal right - whether present property right.

Michael - true sale opinion - have to give ~~[illegible]~~ ie & think can rely on statement

Peter - value of addit. drawing lawyers - instructed to look at aspects from NY transaction

Steven
Bankruptcy - rate payer insolvency
- LDC's going bankrupt - cash flow
- IESO -
- SPV - itself - deal re via comm arrangement

JB - d
Peter - doing lang, doesn't make it in operation

Michael - fishing license example.
- this is personal pr

Stotheman - we called it intangible.

Steen - adopt. of what did in US
- verdict was not necessary
can do it in more rational way.
- on drafting everyone have a go on it.
- this wouldn't have to pronounce it

Stothemann (WB - 16)
- accountants point to understand. regulation
- how does this connect to what IEB doing on RPP price setting

Michael - Stanby point - no OEB mandate

~~SF~~ JB - could be posit. as return
on expect. board offers record.
- continuum of expectat.

MB - accounting issue
① when defirm acct first created
② been recorded.

- recovery been specific change
on bill vs. input.
- if input into RPP - OEB -
- role for Board in curve -

CL - get direct - on this for OEB

Peter - typically order in most
US cases

CL - rates established by
board empowered by statute

Steve - legal analysis that
this is regulatory chng.

- how this will interfere
w/ SA calculation

Mich - estimate of amount owed to generators, estimate of amount owed to SPC.

(c) MB regulatory asset created by LESO - purchased/sold to trust.

(d) costs associated w/ funding deferral for a month.

Steve - LESO holds hot potato theory is it will have ability to pass through costs

Peter - if create issue into trust - all problems I have go away.

Steve - creating payment entitlement as a result of funding shortfall LESO infusing - to deem a payment away to trust for not constructs retaining co-ownership interest?)

MF - for financing entity to own 100% of regulatory assets
- qualified costs - financing entity interest charges
- in return for paying have 100%
- once saying buying counter w/ KSG (not own 100%
- unnecessary complicated. don't need to explain unless need it

Puma - the way we drafted it da ... (two paper w/ defined term)

(f) quest for accounting

Peter - if do this in the US. who's name on it?

1(e) MB - not limiting amt

MF - want two separate accounts -
So when LDC's send $ to IESO
- identify fee & rate

Steve - if there is more suitable mech.
can direct in oblig. to remit.
- otherwise putting all on IESO

MF - comment that there will always
be IESO -

drafting
- function / entity to perform
collection duty
- prov. will always be a
servicer
(~~replacement~~ servicer (B))
- you're constrained to assign
that comment could be
made for every LDC
- add obligation that LDC's
will remit to
entity

See Todd's memo

Business - OS examples -

OEB Bell reduct. May 1 - retrospective ~~to~~ May 1.

- where does shortfall go?

Steve - Muntea's order - regulation under it

-

OEB - is shortfall that is created on May 1 - is that shortfall in GA recovery - is the mechanism design so that shortfall part of regulatory asset

- first weight. period May 1
- concept created till final cal

Steve - discuss about IESO confs how they fill gaps - whether IESO group owner or spr.

- cost applied have to tie to GA[illegible]!

Force's
- Stikeman's
- James & Dan draft.

- turn doc thurs - but doc might be ok to send.

Steve - will get [illegible] - can we get done faster simpler as well.
- if got good feedback a missing pieces
- then have doc that can [illegible] [illegible]

DS: standard [illegible] then to start drafting on [illegible] plan

LB - instruct everyday on disunk
issues
-> tonight - collect medium

Steve - comments by tomorrow attend
- friday meeting - grind by
lawyers to produce meet
for bankers.

- Bankers need a day or week
to review.

- CEO shouldn't be near
underwriters.

Dan
Banker - By tom aft, comments
review

① -> in addit. to term draft for friday
morn
-> one page that lays out signif. diff.
to current draft
list

② at some point need to transport from
your doc to a leg. draft.

(3) amendments to RFP req - which describes how it will work

→ how to get rate payer bill

Steven with James & Dan to create one page doc - which will turn into closing agenda

eg. Electricity Bill $100. / GA $10
you pay $75.

- there isn't enough GA - not limited to what GA we generate
- look to amortize of full amount & drawdown

DS - if have to put something in legis that puts burden on amount defined
1) unkept promises
2) no way to support in legis.

JR - no way to create # & funds support constitutionally

Steen - identify assets - put mkt value on asset
- whatever we calculated will be very large # - the VA number assistance through VA budgets

DS - do we have to reflect but on and defend - count US from allocat plan -
- diff. from alloc plan over 30 yrs - if 0 for first yr OK
- if 4 yrs of hindsight would have been better

DS - nothing but will explicitly address

Steen - as create funding shortfall in period
- have to be able to look to come & figure out where put it
- you have allocated funding shortfall w/o power of finance to figure out

DS - after yr 5 can dynamic/ease to 10%
no more than 10% reflect.
- whatever rate has to apply
to all same rate.

Today - if we figure out cost of cutting
into power contract over
20 yrs - measured by gap.
→ our investment in that
- not ~~for~~ capital cost - power
(paid)
- if our investment is $100 grams
to change over 20 yrs.
↳ $5 a yr.

- if $ denominat. to suggest -
first half of people accepted

DS - not going to put in legislat (?)
-

Steve
- Lepco will not allow you to vent
- ~~to~~ breaker screen in Lepco.

Stem 2 dependence.
① what legus says ② whether enforc
↓
cannot impune
ability to adopt
form boilerplate

Deal 1 — requires legal opin — on fact
need to demonstrate. — news
came in compliance w/ legis.

↳ Lawyer says — looks good.

PB comes in
→ don't like curve — shallow now
steeper later.

Deal 3 → someone relies on it.

↳ Lawyer A says → they can't
rely
↳ Law B says → that one
can rely.

Deal 3 → someone attacks legis

- Deal 3 flawed.
- $ and all $ flows on KYB
- legis lives (dies on its validity in court

- if court doesn't like deal 3 will they say don't like deal 1.

- if you talk on - they don't ever regard - will affect deal I

DS - so do deal 1 = $2.5B of ... ~93 ... not a way to take that - hardware.
- go longer w/ brand -
- once financing in place do deal.
- for that financing

Skr - can put in severability clause - can't separate out finance

- compartmentalized.

Stern - this is how people will fixate on
- award of $A aside - is it valid
cost of putting in legis

DS - JR - this that minister hasn't followed principles

JR - no obligs. have that is directed to consult principles
- risk - little more highly

DS - ① your right.
② this creates added risk over and above on basis of admin law.

Hogg - beyond scope from delegation. w. concern

Fisher - this quite going too detail.

Issue
-> bankers in early,
-> fundg with lawyer.

- Alan Hilton
-> comfort re OPG list
-> neg LESO for what need

- Today - Call Kowalski
- argue to bankers comg in Monday
- Send Steve's doc to bankers
to money

- Munstan - cannot have role in
direct. setting

- LESO develop - for alloc
plans - & if look at.

protect from sale purpose - principle
two 10%
- similar system for all aided
bids
① can't have more than 10% purchase
② all in 40 or 45 can't be more than
10%

- today function — don't want to

Alan - what regimes - justified.
OPG's costs
- all of it is subject to ?

- IESO sets plan.

- Alan - what will not tolerate role for OEB
- whether OEB needs to have regulatory assets.
- comfortable in OEB running asset of trust.
- regulatory asset discuss will sort itself out.

JR - rating

Steve - FAC - dollar value of basket of assets
- book value spread over period of time.
equality = equal.
- presumption continue to ?

CL - only needs to be regulatory asset from LESO purpose.

- Province not willing to show as own debt.
- willing to show as part of LESO's debt.

Stan - create property interest that binds future people.
- gov't will Δ tax plan

CL whether concern w/ Muskrat selling?
Stan - as long as enforceable mech that wouldn't cave.
- concern re: sovereign treatment of deal?
- 4 corners describe. something Muskrat as long as doesn't recklessly disregard - OK
- will be tricky - haze risk.
- if weaken structure find you don't have structure
Peter Carey - proximity [illegible] GAA these [illegible]

Today: Article 4 & 5 - invoicing & collection.
- definitions.

Ⓡ lukes
- term for friday
- if things again come [illegible] - come [illegible] from OLC.