Rate Mitigation Implementation March 15/17

March-15-17

8:19 AM

Subject

FW: Rate Mitigation Implementation Meeting - March 15, 2017

From

Foster, Robert (CAB)

To

Greenberg, Martha (CAB)

Sent

March-14-17 3:47 PM

Attachments

GA Financing

OPG update

Engaging banks - RBC, CIBC, Goldmans

Securitization platform, within canada and US

Looking at having platform in fall

Need to engage rating agencies

Who should OPG be working with to get modelling data, customer data

Need to get at impact on customers, that is big question rating agencies asking

Equity injection - need to think through the process

Issue shares? Create a second class of shares?

Would need change in OPG articles?

Will have cash coming back in to OPG as they start to make the money, need to be able to provide that cash to the province, how? What would that look like?

How will GA mechanism flow through - how much is needed on what timeframe? Will be assessed by rating agency

OFA - could they support the interim/temporary until platform is created?

Hoping to have system in place with the banks

Need to minimize reliance on OFA, better to have external to bridge if possible

49/51 - can't have province do the 51%, then trust becomes province's, but could OFA provide some share if offered in stages

Went to Board of directors last week, reviewed concept on general, and discussed board governance

Created special committee of board, dedicated to this

First meeting is this Friday

AT Q: where is shareholder declaration at? To reduce risk, need to ensure directive is not too strong from province

Will be asked to consider from province but maybe the "whether to do it" would be a recommendation from OPG to the shareholder, and shareholder conquers

Will have its own structure
Need to deomonstrate OPG business interest in executing this - need board to come to this agreement, that they feel there is a benefit to doing this
If province just tells OPG to do it, that is a problem for control
Timing/sequencing?
Does energy need to send directive to OPG asking them to think through/consider this?
Taking initial announcement as the ask of the agency to work on this
OPG is drafting a letter that the Minister could send to OPG asking them to do this, in maybe 2-3 weeks
Then OPG will send a letter back to shareholder after some further analysis
Need enhanced indemnification for Board? That would be part of the letter OPG sends back to government, after analysis
IESO
Discussions on how to accommodate, IT, etc
Legal discussions with ministry, OPG
But really looking into how this would operate
KPMG opinion on regulatory construct - need to see draft leg to help inform that
Very draft, may not be ready for Michel
Legal focus has been in what IESO does in interim and pass on to OPG
OEB
Work on letter from Minister
Allows to consider injection to result in reduction to consuemrs
Drafting on letter underway
Working to get better understanding of what is intended, future containment of rates (rate of inflation)
Expect to share draft letter end of week
Also OESP piece being reviewed
Expect to issue orders to get credit off bill for May 1, order to go out early april, end of march
Working to implement the credit chart
Sending letter of direction to LDCs, assume this is what is happening so up and running for May 1,
All work to ensure operational underway
Automatic enrolments work underway, is a plan but may be difficult to implement, looking at other options for automatic enrolment
Won't be there for May 1 but maybe July 1
AT
May 1 for LRC
RPPP for May 1 for rate smoothing
OESP enhancement
When changes come out for May 1 - people will do number crunching with RPPP and others, then add in 8%, but will need to show the % that social programs are contributing to 25%

The GA piece will come with passage of leg, just months

Issues management as won't see 25% at the same time

RPPP - news release would be about 2 weeks before takes effect, need to plan for that, so NR would be mid-april

Good news but just need to plan for comms as won't see 25%

Delivery line credits through RRRP and regulatory line changes are done through July 1

If LDC can't make that timing, then when they do has to be retroactive to July 1

Can't pull of RRRP charge until leg goes through but can take OESP charge off bill as OEB has that authority for May 1

Need to consider contempt of leg - given the staging of the pieces, need to just watch the comms/messaging

Legal/legislation

OPG and Torys - all on same page for concepts, getting into details, discussions with IESO in parallel

5 buckets

Nuts and bolts of new program into leg

Role of OEB

Role of OPG

Market considerations

Need to consider what needs to be in leg vs commercial terms

What do you do about customers "leaving" - would there be an exit charge?

If switch to net metering, not really leaving but how does that work? Less charges but need to consider

Need to consider net metering program

Need to try to protect about asset diminishing in value

"other"

Affordability Fund

Draft TPA - H1 provided some feedback

Draft back to H1 tomorrow

Some slippage on timeline

Hoping to have final documents end of next week

Execution is through DM

H1 started having discussions with "computershare" - who would act as administrator, who would act as initial trustee

Within certain timeline formal/final trustee would be appointment

Funds would flow to trustee until criteria are final etc

Iterative

Looking at up to 5 trustees

Setting up criteria to be trustee

e.g., Need to have knowledge, expertise, etc on programs like this

Include United Way?

RPPP/OESP/FN

Many sub-committees for each program

LDC working group kicked off last week

Not CEO working group but actually people who would be implementing and understand how bills need to look how money would flow

OESP - reg posting up, gives options (may not need reg but keeps options open)

Deals with three different enhancements

Meeting with MCSS to get perspective with how operated in past with automatic qualifications (e.g., health smiles)

Plan is to get credit changes by May 1 but automatic enrolment may take until the summer

CRA exemption -

CRA requires wet signature which is often barrier to enrolment, applies to any provinciel program where CRA does income verification, they claim due to security requirements

CRA working on changes but not until 2018/19

AT going to Ottawa, will discuss what need CRA to do

RRRP

Sitting down next week with the 7 LDCs plus H1 but LDCs are more passive in their role

More with OEB, IESO and ministry

May need to support the small LDCs who aren't used to this, and their old billing systems?

FN

Need to do more work on this, leverage COO/energy table?

Some choices that need to be made will make this easy or hard

Who is eligible? e.g., households on reserve? Pretty straight forward and quick to implement

But if more about only FN person, that is more difficult

AT - need to make this as clean as possible, as easy as possible

There is no way an LDC knows if someone is FN - need to make this geographically based, way too hard the other way

Don't want to go to each Chief and ask them to decide who is FN and eligible

There are defined boundaries for reserves, can't we use those?

OEB is posting report, with transmittal letter, with copy to Chief Hill

ICI

CME very vocal, do we want to provide support to CME to provide them with support to engage their members?

Need to discuss how to manage

Ontario Chamber of commerce (OCC) - MEDG not supportive of using them to get message out, asked to explore

EDA - some concerned through conservation programs, some might drop below 500 we don't want people not do to conservation so some form of criteria that prior to using programs you use more than 500?

May 2017? Will see change on July bill

AT

Moody's paper OPG shared - how would true up mechanism would work?
Not sure how would work yet, a function with respect to how much warehousing would need to do
Runs predictions vs actuals
Two elements
Every month determine the amount OPG buys, there will be adjustments to that month to month
Then when go to collection from customers so if a huge amount of load comes out, how do you readjust the rate to recover, is the rate that is being charged back through allowing to pay what need to, need to assess that every 6-12 months
Aligns relatively well with RPPP which takes place twice a year, basically a true up/variance account
Mapping against forecasting
What order of magnitude in warehouse?
Max capacity would be around $500M
Are those funds in warehouse being used or waiting in case needed? Acts as short-term borrowing so dno't go out to market every month, will go out maybe quarterly
So buy asset, let warehouse accumulate, then use bring down to zero, then buy asset, etc
OPCD
Request by AG for briefing
FAO had briefing last week by energy staff
Expecting letter from FAO
Were very curious, no really tough questions at briefing
More curious about tax base funding and impact on provinces books
Can use same people to brief AG?