Message

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Subject: OFA : IESO - Fair Hydro funding call April 28

Proposed Agenda for Friday's discussions:

1.
IESO's need to have $ commitment for funding Fair Hydro shortfalls – we can discuss the quantum during the call

Background to support the $ commitment's rationale:

- Fair Hydro plan propose to lower bills for the next 4 years – with no recovery until post 2022;
- OPG has no requirement to purchase from the IESO;
- For any purchases made, OPG may need a timing delay (liquidity, alignment for investors timing etc.) – may be one or two months after IESO settles the Fair Hydro shortfall each month;
- The monthly Fair Hydro amounts will continue to have +/- forecast variance amounts (these are expected to be funded by IESO, same as RPP today) and the OEB will consider these variances for each FH rate setting

2.
The current $975M OFA-IESO credit facility may be utilized to include the Fair Hydro funding commitment

Background:

- The current $975M includes a component for today's RPP shortfalls – so this amount can be reduced or transformed into the Fair Hydro commitment;
- Looking for more flexibility on the current minimum 28 day borrowing period,.. if OPG buys from IESO ....would like IESO to pay down the debt as soon as possible;
- Moody's (IESO rating) will be examining if IESO has sufficient capacities to fund FH;
- Examine material adverse clause to accommodate FH

3.
IESO to examine whether O.Reg 280/14 needs to be updated for Fair Hydro – if so, will need IESO Board and Minister of Finance's approvals;

Regards.