Message

**Sent**: 2017-05-14 9:22:38 AM
**To**: Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; John Psinas [John.Psinas@ofina.on.ca]; John Kim [John.Kim@ofina.on.ca]; Ronald Kwan [Ronald.Kwan@ofina.on.ca]
**CC**: Mike Manning [Mike.Manning@ofina.on.ca]
**Subject**: RE: DRAFT IESO FH credit letter

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
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**From:** Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
**Sent:** May 11, 2017 4:56 PM
**To:** Anthony Martinello
**Cc:** Mike Manning; John Psinas; John Kim; Ronald Kwan
**Subject:** RE: DRAFT IESO FH credit letter

Hi Anthony

As discussed, while I have no comments in addition to what was already provided by both Mike and Ron, I would like to make the following clarifications:

- A separate facility for the Fair Hydro Plan is preferable given that my understanding is all interest incurred in setting up the regulatory asset should be capitalized. As such, from a practical and operational perspective it will be much easier for IESO to draw upon a separate facility to fund the regulatory from the point it is set up to the eventual purchase by the Trust.
- This will ensure that any interest incurred will be accurately capitalized and not be part of IESO's interest expenses, thus allowing the Province, upon consolidation with IESO, to offset its own interest expense relating to the provision of the credit facility.
- Since a separate facility will be set up it may make sense to reduce the limit of the current facility with the OFA and increase the limit of the new one from the proposed $1.5 billion in IESO's draft memo. From a structural perspective it may also be appropriate for this new facility to be granted by OEFC as opposed to the OFA.
- As stated in the comments to the memo the existing facility can be used on an interim basis until the new one is set up.

Thanks

Ken k

**From:** Ronald Kwan
**Sent:** Thursday, May 11, 2017 1:06 PM
**To:** Anthony Martinello <Anthony.Martinello@ieso.ca>
**Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
**Subject:** RE: DRAFT IESO FH credit letter

Hi Anthony,

Staff had a few suggestions/comments.

As discussed on the last call, we had talked about it being cleaner to have a separate facility for the FHP. The draft letter seems to have a potential for IESO drawing both on the new facility and the existing one. While drawing on the existing facility might be needed on an interim basis, it would seem cleaner and more transparent to have that possibility only until a new, separate facility is in place.

Ron

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**From:** Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
**Sent:** May-09-17 10:26
**To:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
**Subject:** DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (...Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.