IESO -- DRAFT (April 6, 2017)

1. In order to support the financibility of the Regulatory Asset, the IESO would normally be expected to give OPG the standard Reps and Warranties (good title, all necessary approvals, etc) supported by an outside legal opinion. Given the nature of the property interest that is sought to be created, in particular its novelty and that of the underlying legislation, both the Reps and Warranties and the outside opinion will be qualified. For example, that opinion could be similar to those provided in the precedent U.S. transactions. We are communicated the likelihood of a qualified opinion to OPG, so that OPG takes this into account in establishing its requirements in respect of these transactions and in supporting legislative drafting.

2. In making the necessary Reps and Warranties, we assume these will be supported by the same form of government assurance for the IESO as is being contemplated for OPG.

3. We understand that interest charges accumulating to the IESO prior to the sale of the regulatory asset are not intended to be rolled into the asset but will be rolled into the RPP calculation; and that other than carrying the RPP forecast variance, the regulatory asset will include the entire difference between the funds collected pursuant to the Fair Hydro Plan and the settlement amounts required to be disbursed by the IESO. In short, there will be no residual amount expected to be financed by the IESO.

4. The IESO needs formal assurance that in circumstances where OPG cannot absorb any further amount, and the OFA is unwilling to expand the IESO's credit limit so as to accommodate any shortfall, the Province will be responsible for that shortfall. (aka bankruptcy risk)

5. We understand that we may be asked to participate in developing a Fair Allocation Plan. We would like to better understand the requirements for the Plan and the IESO's potential role in its development. If the intention is that these Plans are to be issued by the IESO, and relied on by OPG and others, we assume the Ministry would establish the parameters for the Plan, and that the province would indemnify the IESO against demands for losses claimed to result from reliance on those forecasts.