Message

Sent: 2017-12-12 4:23:49 PM
To: RYFA Ken -TREASURY [ken.ryfa@opg.com]
CC: Michael Boll [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=4811917e15054407b665fe16d12ff415-Michael Bol]; Anthony Martinello [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3fb7d76317b34780b15d96309b995c31-Anthony Mar]; WONG Leslie - LAWDIV [leslie.wong@opg.com]
Subject: RE: EXTERNAL – RE: IESO Cash Reserve Account

Thanks Ken,

I am sorry to belabour this point (well maybe not), as I read the true-up in the legislation 15 (2), the true-up is to ensure the CEA rate is sufficient to pay financing amounts when due. Given the rate is based on forecasts such as future consumption, collectability, timeliness of payments by specified consumer etc., the true-up is there to cover when the actual payment to investors for the reference period differs from the forecasts used in rate setting for the same reference period. I cannot see how the Trust can pay back as you suggest through a "true-up".

Specifically, why would you need to pay us back rather than simply use the money in the cash reserves over time in curve as part of the future rate setting exercise?

Regards,

Jeannette Briggs Director, Settlements - Corporate Services
Independent Electricity System Operator (IESO)| T: 905-855-6364 | C: 416-997-6364
Station A, Box 4474, Toronto, ON, M5W 4E5
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From: RYFA Ken -TREASURY [mailto:ken.ryfa@opg.com]
Sent: December 12, 2017 1:09 PM
To: Jeannette Briggs
Cc: Michael Boll; Anthony Martinello; WONG Leslie -LAWDIV
Subject: RE: EXTERNAL – RE: IESO Cash Reserve Account

Jeannette,
The only difference that I can see is the need to repay the IESO. The way I understand it I expect you would follow the same process as you normally would. IESO experiences a shortfall from costs being higher than rates charged to consumers with the shortfall being recorded in the variance account. The funding of the reserve account is one of those costs. The IESO sells the variance account balance to the trust. At about 6 months and 12 months after initial funding of the reserve accounts the Trust has assembled part of the regular reserve through the CEA collections. The corresponding amount of funds in the IESO reserve account would be returned to the IESO. I would just view this return of funds as a true up of the carrying cost amount. The funds reduce the variance account balance.

Maybe I am simplifying things too much.

Thanks,
Ken

From: Jeannette Briggs [mailto:jeannette.briggs@ieso.ca]
Sent: Tuesday, December 12, 2017 12:14 PM
To: RYFA Ken -TREASURY <ken.ryfa@opg.com>
Cc: Michael Boll <Michael.Boll@ieso.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: EXTERNAL – RE: IESO Cash Reserve Account
Importance: High

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Ken,

I see that you too received Michael Feldman's explanation of the costs for the new Program Cash Reserve Account. We understand from Michael's email and from you that these dollars are not principal and as Michael writes they are "carrying cost". So our question is why would be we not follow the same process established for the four year prior? I know you indicated below "the amount of the IESO Cash Reserve Account that is not required would be refunded to the IESO. I am not sure of the mechanics but this is my general understanding of the intention." Albeit, these dollars are to fund the reserves, the IESO is confused as to why they should be treated differently post May 2021. You invoice the IESO, we pay and recover the dollars through transferring the regulatory asset as an investment interest purchased by the Trust. Can you please explain further the need to treat them differently? JB

Regards,

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From: Feldman, Michael [mailto:mfeldman@torys.com]
Sent: Monday, December 04, 2017 2:05 PM
To: Peter Hamilton; Forrester, David; 'Michael.Boll@ieso.ca'; Glenn Zacher
Cc: 'WONG Leslie -LAWDIV'; 'LEE John -TREASURY'; 'RYFA Ken -TREASURY'; Ramchandani, Rima; Mansoori, Nina; Olusoga, Yinka; Prado, Melissa; Saulnier, Brett; Dost, Mitchell; Feldman, Michael
Subject: RE: IESO - signature pages for Fair Hydro Agreements

Peter,

I believe that there have been discussions with IESO about the fact that although clean energy adjustments can begin to be billed in May 2021, it will take a couple of months for collections to work their way through the system. Therefore, it will be necessary to have the IESO briefly fund (i) carrying costs expected to be incurred before there are sufficient funds to pay them, and (ii) initially seed a cash reserve account that does not have to be funded during the moratorium. This amount will be billed to the IESO as additional Carrying Costs in April 2021 and in order to ensure that none of these funds can be used to repay principal (because of the definition of Carrying Costs in the Regulation) we are establishing a separate reserve account we are calling the IESO Cash Reserve Account. The expectation is that all funds in this account will be released to the IESO after the initial Reference Period following the moratorium (ie, by December 2021) as the necessary cash reserve will be replenished through CEA.

Michael K. Feldman

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From: RYFA Ken -TREASURY [mailto:ken.ryfa@opg.com]
Sent: December 05, 2017 7:12 PM
To: Anthony Martinello
Cc: Kim Marshall; LEE John -TREASURY; LADAK Lubna -TREASURY; GO Matthew -TREASURY; LAURETA LAPIRA May -TREASURY
Subject: IESO Cash Reserve Account

Anthony,
During the moratorium there is no need to fund reserve accounts. However, just before the end of the moratorium there is a need to fund a reserve account which would be done through the carrying cost process. Late last week legal counsel identified an issue with this process as a result of the limitation imposed on carrying costs that they could not be used for principal repayment. As a result, a new reserve account (IESO Cash Reserve Account) was established to separate this account from other reserve accounts. The regular Program Cash Reserve Account would begin to be funded through the CEA process during the first year of CEA collections. The amount of the IESO Cash Reserve Account that is not required would be refunded to the IESO. I am not sure of the mechanics but this is my general understanding of the intention. Let me know if you have any comments / questions related to this process.
Thanks,
Ken
