Message

Sent: 2018-01-17 8:37:16 AM
Subject: FW: EXTERNAL – FHT - Draft Diligence Questions

Here are my suggestions for our questions

1. Please describe and discuss: (i) how IESO expects to fund the carrying costs during the Moratorium Period and extending to July 31, 2021 and the expected sources and nature of such funds; (ii) how IESO expects to record, recover and to transfer the Regulatory Asset to the Issuer from time to time; and (iii) how IESO expects to receive and collect the Clean Energy Adjustments and remit to the Issuer following the Moratorium Period? Do you anticipate any difficulties or restrictions with respect to the funding of carrying costs?

   (i) The IESO has arrangements with the Ontario Financing Authority which we expect to be sufficient for funding carrying costs. (should we be more general not say ofa)

   (ii) As part of its market settlements role, the IESO to receive and remit, legislative right to recover any shortfall in the future – get some accounting language from committee testimony

   (iii) A significant part of the mandate of the IESO is the ongoing settlement of the electricity market. In 2016 $17 billion dollars flowed through the balance sheet of the IESO, from consumers mainly via local distribution companies, to generators. Working with the financing entity, the IESO will leverage existing systems and processes to fulfill the requirements of the MTSA (this is one to align with opg)

   The IESO does not anticipate difficulties or restrictions with respect to funding of carrying costs.

2. Please discuss the control, accounting and reporting systems that are in place (and any systems that will be put in place in the short term) to assist IESO in discharging its obligations under the MTSA, and its statutory duties under the FHPA and the Regulations, including preparing the necessary Monthly Servicer Reports required by the MTSA.

   The IESO has existing systems in place to support its role in administering the market that will be leveraged to discharge our obligations under the MTSA and the FHPA. Where it is needed, the IESO will work with the Financial servicing manager to establish processes to fulfill requirements under the MTSA, such as the Monthly Service reports.

3. Are these internal control, accounting and reporting systems adequate for the purpose of satisfying the obligations of IESO under the MTSA, the FHPA and the Regulations? Yes to the best of our knowledge,

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Corporate Services collaborates with you to deliver solutions and expertise that enable the IESO to achieve its goals.

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From: LADAK Lubna -TREASURY [mailto:lubna.ladak@opg.com]
Sent: January 16, 2018 4:13 PM
To: Michael Boll
Cc: LEE John -TREASURY; LAURETA LAPIRA May -TREASURY; GO Matthew -TREASURY; RYFA Ken -TREASURY; Ramchandani, Rima; Peter Hamilton; Kim Marshall
Subject: RE: EXTERNAL – FHT - Draft Diligence Questions

Hi Michael,
As per my voicemail, I understand that you want to highlight some limitations to the IESO's role, however, we can't change the due diligence questions that have been posed. You can incorporate limitations in your response. You can also preface your responses with "to the best of my knowledge".

I also want to share how I plan to answer the questions in the Reporting and Financial Matters section for OPG:

1. Please discuss the control, accounting and reporting systems that are in place (and any systems that will be put in place in the short term) to assist OPG in discharging (i) its obligations as Manager, including without limitation preparing the necessary Monthly Portfolio Reports required by the Management Agreement and providing the payment instructions required by the Trust Indenture, and (ii) its statutory obligations as Financial Services Manager under the FHPA and the Regulations. **Lubna**

   OPG has established a Management Oversight Committee to provide appropriate oversight of OPG's role, as Financial Services Manager, including oversight over the financing strategy for the Issuer, the investment strategy for OPG's participation, and the Issuer's financial statements and other reporting requirements. Accordingly, the Issuer has established key controls based on existing relevant controls within OPG's Treasury functions and implemented those for the Issuer's transactions.

2. Are these internal control, accounting and reporting systems adequate for the purpose of satisfying the obligations of OPG, as Manager and Financial Services Manager?

   To the best of my knowledge, yes.

6. Do you anticipate any issues in preparing the Implementation Plan in accordance with the requirements specified in the Management Agreement?

We do not currently anticipate any issues in preparing the Implementation Plan in accordance with the requirements specified in section 4.3 of the Management Agreement.

[I understand that the servicing duties won't come into effect for 4 years, but I am comfortable saying the IESO and OPG will work together to prepare an implementation plan that meets the requirements of the MTSA. If asked for more detail, I will mention the existing processes and systems OPG uses, and would likely leverage.]

Would you be able to provide responses to the due diligence questions tomorrow?

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From: Michael Boll [mailto:Michael.Boll@ieso.ca]
Sent: Tuesday, January 16, 2018 2:53 PM
To: LADAK Lubna -TREASURY <lubna.ladak@opg.com>

Cc: LEE John -TREASURY <john.s.lee@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; GO Matthew -TREASURY <matthew.go@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; Ramchandani, Rima <rramchandani@torys.com>; Peter Hamilton <PHamilton@stikeman.com>; Kim Marshall <Kim.Marshall@ieso.ca>
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Hi Lubna,

Attached are the IESO's edits to the due diligence questions. A number of the material changes are to reflect IESO's limited role in relation to the offering and that the IESO does not have the level of knowledge with respect to the offering or the interests of the holders of the Senior Notes to know what might be relevant or material.

Regards,
Michael

From: LADAK Lubna -TREASURY [mailto:lubna.ladak@opg.com]
Sent: January 09, 2018 11:00 AM
To: Kim Marshall; Michael Boll
Cc: LEE John -TREASURY; LAURETA LAPIRA May -TREASURY; GO Matthew -TREASURY; RYFA Ken -TREASURY; Ramchandani, Rima
Subject: FW: EXTERNAL – FHT - Draft Diligence Questions

Hello Kim,
Attached are the draft due diligence questions for the Fair Hydro Trust and the Offering Memo. The questions for the IESO are on P. 7 -10, Section III. I'm sending you the entire set of questions for context as we'll have to coordinate our responses to some of them. I'll set up a call for tomorrow to provide guidance on what we're looking for.

We don't have the date and time for the call yet, but January 22nd is a possibility.

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