Message

From: Glenn Zacher [GZacher@stikeman.com]
Sent: 2017-04-20 11:45:57 AM
To: Michael Boll [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=4811917e15054407b665fe16d12ff415-Michael Bol]
CC: Peter Hamilton [PHamilton@stikeman.com] [redacted]
Subject: RE: Call re Fair Hydro Plan (Toll-free call-in #: [redacted]

Thanks for the update.

I am tied up until about 1:30, but let me know if you want to have a call before 2pm call with KPMG

Thx
Glenn

Glenn Zacher
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From: Michael Boll [mailto:Michael.Boll@ieso.ca]
Sent: Thursday, April 20, 2017 10:53 AM
To: Glenn Zacher; Kim Marshall
Cc: Peter Hamilton; Anthony Martinello; Jeannette Briggs
Subject: RE: Call re Fair Hydro Plan (Toll-free call-i [redacted])

Thank you Glenn.

Regarding next steps, we learned at the Ministry meeting this morning that we can expect another draft of the legislation today. Ministry will want comments back by end of day Sunday so they can incorporate on Monday.

New drop dead date for draft legislation is next Friday, April 28. I'll separately send document showing the new gov't dates for approvals and tabling legislation.

Attached is a new draft of the reg asset portions of the legislation that Carolyn handed me this morning. Frustratingly, she did not receive the draft you sent to Steve yesterday so the attached does not reflect our proposal.

On the OPG interest / admin cost issue during the first 5 years, OPG confirmed this is not an accounting issue, but may result in a provincial fiscal loss since OPG would need to book it as a loss. OPG also suggested it may become a credit rating issue. OPG's proposed solution is the option whereby it invoices IESO the interest/admin costs, which then becomes part of the regulatory asset sold to OPG trust. We need to confirm this does not create an accounting issue for IESO.

There was also discussion about the subordination issue. OFA CEO was exploring whether it would make sense for province to indicate now that it would step in and grant IESO the funds it needed if OPG trust did not purchase the regulatory asset (he indicated may provide better discount rate if done now?). This would help the subordination issue, but we need to confirm with KPMG that having such a backstop in place would not affect the creation of the regulatory asset.

Re commercial arrangements between OPG and IESO, OPG has Torys preparing a framework for possible commercial arrangements. OPG needs at least framework of the arrangements to provide to rating agencies to obtain initial rating indication.

Kim, anything I missed?

Michael

From: Glenn Zacher [mailto:GZacher@stikeman.com]
Sent: April 20, 2017 10:11 AM
To: Kim Marshall; Michael Boll
Cc: Peter Hamilton
Subject: FW: Call re Fair Hydro Plan (Toll-free call-in #: [redacted])

Kim, Michael –

We had a productive call with Michel. He and colleagues still need to consider, but I think he benefitted from the further discussion and he indicated he is more comfortable than he was yesterday – though not all the way there.

He is going to speak internally and he suggested a further call at 2, which may include his securitization colleagues. I circulated a call-in invite.

Also, we have put a call in to Steve/Blakes to see if he has a better sense on next steps – will let you know what we hear back.

I shd be around until about 12:15, so feel free to give me a call after your Ministry mtg.

Glenn

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From: Glenn Zacher
Sent: Thursday, April 20, 2017 10:04 AM
To: Picard, Michel; Peter Hamilton; Michael Boll; Kim Marshall
Subject: RE: Call re Fair Hydro Plan (Toll-free call-in #: 1-[redacted])

Michel – thanks again for the helpful discussion. As suggested, I will recirculate a call invite for 2pm so we can pick up where we left off and get your further insight after you have consulted with your colleagues.

Kim/Michael – hopefully this time works for you.

Glenn

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From: Picard, Michel [mailto:mpicard@kpmg.ca]
Sent: Thursday, April 20, 2017 8:58 AM
To: Glenn Zacher; Peter Hamilton; Michael Boll; Kim Marsh[redacted]
Subject: RE: Call re Fair Hydro Plan (Toll-free call-in #: 1-[redacted]

Derecognition of a financial asset

15 In consolidated financial statements, paragraphs 16–23 and Appendix A paragraphs AG34–AG52 are applied at a consolidated level. Hence, an entity first consolidates all subsidiaries in accordance with IFRS 10 and then applies paragraphs 16–23 and Appendix A paragraphs AG34–AG52 to the resulting group.

16 Before evaluating whether, and to what extent, derecognition is appropriate under paragraphs 17–23, an entity determines whether those paragraphs should be applied to a part of a financial asset (or a part of a group of similar financial assets) or a financial asset (or a group of similar financial assets) in its entirety, as follows.

(a) Paragraphs 17–23 are applied to a part of a financial asset (or a part of a group of similar financial assets) if, and only if, the part being considered for derecognition meets one of the following three conditions.

(i) The part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets). For example, when an entity enters into an interest rate strip whereby the counterparty obtains the right to the interest cash flows, but not the principal cash flows from a debt instrument, paragraphs 17–23 are applied to the interest cash flows.

(ii) The part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets). For example, when an entity enters into an arrangement whereby the counterparty obtains the rights to a 90 per cent share of all cash flows of a debt instrument, paragraphs 17–23 are applied to 90 per cent of those cash flows. If there is more than one counterparty, each counterparty is not required to have a proportionate share of the cash flows provided that the transferring entity has a fully proportionate share.

(iii) The part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets). For example, when an entity enters into an arrangement whereby the counterparty obtains the rights to a 90 per cent share of interest cash flows from a financial asset, paragraphs 17–23 are applied to 90 per cent of those interest cash flows. If there is more than one counterparty, each counterparty is not required to have a proportionate share of the specifically identified cash flows provided that the transferring entity has a fully proportionate share.

(b) In all other cases, paragraphs 17–23 are applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety). For example, when an entity transfers (i) the rights to the first or the last 90 per cent of cash collections from a financial asset (or a group of financial assets), or (ii) the rights to 90 per cent of the cash flows from a group of receivables, but provides a guarantee to compensate the buyer for any credit losses up to 8 per cent of the principal amount of the receivables, paragraphs 17–23 are applied to the financial asset (or a group of similar financial assets) in its entirety.

-----Original Appointment-----
From: Glenn Zacher [mailto:GZacher@stikeman.com]
Sent: Wednesday, April 19, 2017 5:12 PM
To: Glenn Zacher; Picard, Michel; Peter Hamilton; Michael Boll; Kim Marshall

Subject: Call re Fair Hydro Plan (Toll-free call-in #:[redacted]; Local call-i[redacted]
When: Thursday, April 20, 2017 9:00 AM-9:30 AM (UTC-05:00) Eastern Time (US & Canada).
Where:

Toll-free ca[redacted]
Local call-i[redacted]
Password: [redacted]
