Message

Sent: 2017-06-24 9:48:45 AM
To: Rehob, James (ENERGY) [James.Rehob@ontario.ca]
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Subject: RE: Consultation Draft - OFHPA General Regulation v5.docx

Hi James,

Here are the IESO/Stikemans comments for your consideration:

1. regulatory asset is misspelled in section 9(2).
2. section 15(2) should be section 15(3).
3. With respect to capital reserve withdrawal and finance reserve withdrawal it is not correct to speak of amounts "required" to be withdrawn. The finance entity will be required to maintain certain amounts on deposit and will almost certainly have the right, but not the obligation, to withdraw excess amounts. In other circumstances amounts will be applied out of these accounts on account of funding obligations. The correct reference would be to amounts actually withdrawn or applied, or which the finance entity has the right to withdraw or apply.
4. Finance entity expenses should not capture taxes since taxes are otherwise captured.
5. the relationship between "redemption amount" and "repayment" is not quite right. Repayment appears to be the act and redemption amount the amount. If that is right you might refer for clarity to "repayment" and "repayment amount" and include an amount repaid in the definition of "redemption/repayment amount". In that case the references to "amounts paid in respect of a repayment" and "redemption amounts" would be duplicative. We do not think that you are trying to differentiate in the context of the calculation of "finance amount" between different forms of principal payments, they are all outflows and one term describing all outflows on account of principal (whether a payment, a prepayment, a purchase for cancellation or a redemption would be clearer and would better ensure that nothing falls between the cracks).
6. In the definition of "finance amount" , "derivative receipts" (item vii) should be in part 2 as a receipt and not a disbursement. "Derivative payments" is appropriately in part 1.
7. In the definition of refinancing, consider redefining a refinancing as any incurrence of debt, to the extent the proceeds are not applied to acquire an investment asset. The problem with defining "refinancing" inclusively and then disqualifying certain debt , while still calling it a funding obligation, is that the amount borrowed disappears from the calculation of finance amount. Once it disappears, the rate payer base still has to service the amount borrowed (since it is still a funding obligation) but there is no credit for the amount received. For example, if an amount has to be borrowed to pay taxes, the taxes paid will add to the finance amount, but there is no offset for the amount borrowed to pay the taxes (even though the rate base will need to service that borrowed amount down the road). It seems that the only circumstance in which debt borrowed should not be a credit to the finance amount is where the amount borrowed is used to acquire an investment asset. In that case it is appropriate that the rate base service the amount without an offsetting credit, since the credit was received in the form of the Fair Hydro adjustment.
8. Regarding the true up amount process in section 6, it appears to be setting up a scenario where the Financial Services Manager can produce its own mid-reference period forecast of consumption and base a true-up on its forecast as opposed to using the forecast used by the Board in setting the rate for recovery of the Clean Energy Adjustment. Is this prudent? Would this allow the FSM to request a true-up at the start of a reference period if it

disagrees with the forecast used by the Board in setting rates? As commented on previously, the true up process is open ended and permits the FSM to require multiple true ups during a reference period. Please also consider whether this mid-reference period true up is permitted under section 15 of the Act, which seems to only contemplate true ups in respect of the entire reference period (i.e. similar to the way variances were trued up in RPP in that the variance from one period was rolled into the rate set for the following period), and not portions of a reference period.

From: Rehob, James (ENERGY) [mailto:James.Rehob@ontario.ca]
Sent: June 23, 2017 9:05 PM
To: Michael Boll
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Subject: Consultation Draft - OFHPA General Regulation v5.docx

Confidential

June 23, 2017

Hi, Michael. In lieu of attaching a next draft, we are pleased to attach our next set of drafting instructions for the next and final draft of the OFHPA General Regulation (subject to all internal approvals). We note that the language we use to instruct may not be the language which we receive back from Legislative Counsel in the next (final) draft. This is due to Legislative Counsel's drafting and editing processes.

By before noon tomorrow (Saturday), please identify only significant or fatal flaws with these instructions.

Obviously, the earlier in the morning they can be identified the more likelihood there is that we would be in a position to reflect any final changes in the next draft.

Thank you,

James

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