Message

Sent: 2017-09-13 12:46:10 PM
To: Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshal]
CC: Anthony Martinello [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3fb7d76317b34780b15d96309b995c31-Anthony Mar]
Subject: FW: Proposed IESO LC for LDC default

Kim,

Are you comfortable with this from an accounting perspective? Does Michel have sufficient details to confirm there is not an accounting issue with this?

At the very least, this will need to be conditional on regulatory change allowing IESO to recover its costs relating to providing the LC and recovering any amount paid if the LC is called. It is also important we have more details, so answers to the questions I asked below would be appropriate.

It would also be good to understand why the financing entity cannot use a reserve account. We have not yet received a clear response from OPG on this.

Anthony and I are meeting with Stikemans this afternoon at 3pm to discuss the master transfer and servicing agreement. Let me know if you would like to have a quick call with us to discuss this.

Michael

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: September 13, 2017 11:39 AM
To: Kim Marshall
Cc: WONG Leslie -LAWDIV; LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; Michael Boll; GO Matthew - TREASURY; 'Nelms, Scott (ENERGY)'
Subject: Proposed IESO LC for LDC default

Kim:

Further to our discussion this morning, I am confirming that in the interest of moving the Rating agency process forward in order to meet the timeline for the planned debt issuance in November, the interim solution is to reflect in the MTS agreement the concept that the IESO will provide an LC if required to support the credit obligations for unrated LDC and such amount could be up to 1 month of the anticipated of collections relating to the FHP. By including this concept in the agreement it will allow all of us time to assess alternatives during the moratorium period without holding up the Credit rating process and the planned debt issuance.

John

From: WONG Leslie -LAWDIV
Sent: Tuesday, September 12, 2017 2:26 PM
To: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; MCAULEY Tyler -LAWDIV <tyler.mcauley@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>; LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>; LIU Sheen -TREASURY <sheen.liu@opg.com>; Hill, Krista <khill@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; 'Feldman, Michael' <mfeldman@torys.com>; Myers, Jonathan <jmyers@torys.com>
Subject: Fw: EXTERNAL – proposed IESO LC for LDC default

Please see below for some questions from the IESO on the L/C.

Regards,

Les:

Sent from my BlackBerry 10 smartphone on the Bell network.

From: Michael Boll <Michael.Boll@ieso.ca>
Sent: Tuesday, September 12, 2017 9:22 AM
To: WONG Leslie -LAWDIV
Subject: EXTERNAL – proposed IESO LC for LDC default

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Hi Les,

Anthony (IESO) has had a couple discussions with May (OPG) about this proposed LC. I have a few questions I hope you can help answer to assist us in our review.

1. What would be the trigger for a payment under the LC? As much detail as possible would help us, particularly with accounting review.
2. Does it need to be an LC, or could it be a guarantee with a dollar cap? Not sure if this would work from an IESO perspective, but it would be less expensive than posting an LC, so would be good to know if this was an option from OPG/dealers perspective.
3. When does this need to be in place, and for how long? Is this only required when LDCs start to collect clean energy adjustments from consumers?
4. Further detail on why a reserve account held by the financing entity could not be used to address this risk. Last week you mentioned this would not work due to accounting reasons. Can you please elaborate on those accounting reasons?

As mentioned previously, we will need a regulation change in order to be able to recover IESO costs of implementing this option.

Thank you
Michael

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