Message

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Sent: 2017-06-22 10:02:15 AM
To: Michael Boll [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=4811917e15054407b665fe16d12ff415-Michael Bol]
CC: Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshal]; Susan Nicholson [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=f668e601bd2b4865a5c31dca531047c8-Susan Nicho]; Anthony Martinello [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3fb7d76317b34780b15d96309b995c31-Anthony Mar]
Subject: FW: Lawyers proposed wording on IESO funding mechanism

Michael – FYI also.

From: JORDA Jenny -FIN & C CTRL [mailto:jenny.jorda@opg.com]
Sent: June 22, 2017 10:00 AM
To: Laney Doyle; 'Picard, Michel'; 'Brittany Keenan'; Susan Nicholson
Cc: Kim Marshall; MAUTI John -FIN & C CTRL
Subject: Lawyers proposed wording on IESO funding mechanism

Hi All,

See below for the lawyer's proposed draft on how the language around the funding mechanism is supposed to work. In speaking with them, it sounds like the IESO will have to be contractually obligated to pay the interest and fees to the Trust.

. From July 1, 2017 – April 30, 2021 (the "moratorium period"), it is not expected that any clean energy adjustment amounts will be charged to specified consumers. As a result, there will need to be another source of cash flow to fund financing costs incurred by the financing entity to acquire investment interests during the moratorium period.

2. During the moratorium period, it is proposed that at any time the IESO transfers a specified portion of the regulatory asset to the financing entity (which is expected to occur on a monthly basis), the IESO will, as part of the consideration for the transfer, agree to pay all (i) Funding Costs, (ii) Finance Reserve Deposits, (iii) Expenses and (iv) Tax Liabilities net of Tax Refunds (as such terms are defined in the attached proposed definition of "Finance Amount") which are incurred by the financing entity relating to the purchase of the specified portion of the regulatory asset. (The attached definition of "Finance Amount" is a working draft of what OPG and the Dealers are expecting to be in the Regulations – it is still being reviewed by the Dealers and does not yet reflect any impact of funds coming from IESO through funding rebates or otherwise.)

   Any such amounts paid by the IESO to the financing entity are referred to as "funding rebates". These funding rebates can be viewed as inducement payments made by the IESO in order to induce the financing entity to pay par for the regulatory asset in light of the moratorium period.

3. It is expected that the Regulations will provide that concurrent with the payment of any funding rebate by the IESO, the IESO will be entitled to record an amount equal to such funding rebate in the variance account it maintains for the Fair Hydro program. As a result, any funding rebates paid by the IESO will form part of the regulatory asset that may be subsequently transferred to a financing entity (and recoverable by the financing entity through the clean energy adjustment after the moratorium period). We did not discuss how the IESO's carrying costs for providing the funding rebates would be dealt with. One option is that these costs are dealt with in the same way as the carrying costs of the IESO's current credit facility are dealt with; that is, they are socialized among all ratepayers. However, if the carrying costs are to be funded only from Specified Consumers then these IESO costs would also have to be tracked separately and added to the IESO Deferral pursuant to the Regulations.

Michel – can you let us know how this proposed wording will impact IESO accounting? Thanks.

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