Message

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Sent: 2017-09-20 10:15:53 AM
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Subject: RE: Fair Hydro -- IESO/OPG Meeting

Just to confirm the proposal we are asking KPMG to consider:

The Regulations under the Fair Hydro Act will be amended to impose a "regulatory obligation" upon the IESO to pay an amount to the financing trust monthly over the first four years (the deferral period) equal to the financing charges actually incurred by the financing trust on account of interest (and not principal). Contrary to earlier proposals costs and taxes of the financing trust would also not be covered. The IESO would require financing to bridge the gap between payment of this amount and recovery of the related GA amount. Either both of the interest cost and the funding receipt, or neither of them, will be counted for purposes of the true-up calculation.

IESO will provide security for this obligation in the form of a general security agreement charging all of IESO's assets, including in particular its present and future receivables and rights in relation thereto. The general security agreement will provide that on a monthly basis all receipts will be applied first by the IESO on account of the regulatory obligation. (NTD: If asked to give an opinion in respect of this GSA, our opinion would need to be limited to present receivables).

The Regulations under the Electricity Act will be amended to provide that the amounts paid are recoverable by the IESO under the GA in Section 25.33 of the Electricity Act.

By operation of the rate cap, this additional GA amount will lead to an increased negative variance and will give rise to a regulatory asset, which, in the ordinary course would be Transferred to the financing trust. The purchase price payable to the IESO would retire the related financing,

If I am missing, or have misstated, something please let me know.

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