

Message

From: Picard, Michel [mpicard@kpmg.ca]
Sent: 2017-11-17 3:49:52 PM
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]
Subject: RE: Master transfer agreement
Flag: Follow up

Michael,

Gale and I met this afternoon to discuss the Security Agreement, Indemnity Agreement and the Master Transfer and Servicing Agreement. We do not any further questions or comments.

See also my comments in blue below.

Have a great weekend.

Michel

From: Michael Boll [mailto:Michael.Boll@ieso.ca]
Sent: Friday, November 17, 2017 10:20 AM
To: Picard, Michel <mpicard@kpmg.ca>; Peter Hamilton <PHamilton@stikeman.com>
Cc: Glenn Zacher (GZacher@stikeman.com) <GZacher@stikeman.com>
Subject: RE: Master transfer agreement

Hi Michel,

Answers in red below.

Peter, I have highlighted in yellow the answers that I would appreciate your help with.

Michael

From: Picard, Michel [mailto:mpicard@kpmg.ca]
Sent: November 17, 2017 9:49 AM
To: Michael Boll
Subject: Master transfer agreement

Michael,

Based on my review of the version dated November 10, 2017, I have the following questions for you. I will be meeting with Gale at 3pm to discuss and may have additional comments/questions.

Can you provide the final regulations for the carrying costs, page 2?

Here is a link to the final general regulation that now includes the carrying costs obligation <https://www.ontario.ca/laws/regulation/170206>. See section 9.1. This is already in force.

When will the regulations be enacted, page 2?

Already in force.

Is it possible to have access to the Declaration of Trust, page 3?*[Picard, Michel]* The alternative is to rely on OPG and EY to confirm to IESO that the Trust will be subject to consolidation by OPG, not IESO.

Is it possible to have access to the management agreement, page 5?*[Picard, Michel]* Would be nice but not required.

What are the program agreements on page 6?*[Picard, Michel]* This one would be useful as it is not clear what the impacts could be.

We do not have the declaration of trust or management agreement. We can request them if you need them. The only program agreement the IESO is a party to is the Acknowledgement and Indemnity. Peter, can you confirm?

Need a copy of the Opinions of Counsel to the Issuer and rating agencies, page 10.

Peter, can you please send Michel the current draft opinion?*[Picard, Michel]* Required.

Need an explanation of the section 3.6. What are the costs that will be reimbursed by the Trust and the ones that will not? Will the latter be fully recoverable in accordance with the legislation/regulations? Has an estimate been provided for all these costs for the duration of the program? Page 14.*[Picard, Michel]* We will need a representation from IESO that all incremental costs will be recovered from the Trust otherwise you may be required to set up a financial liability on Day 1 for the entire 30 years.

Section 3.6: The idea with this section is that if any of the IESO's servicer obligations result in additional costs to IESO that are incremental to IESO's already existing costs, the IESO will be able to recover them from the financing entity. IESO's existing costs are already recovered through the mechanisms of the Electricity Act sections referenced in Section 3.6. This drafting is to prevent double recovery by IESO (i.e. we shouldn't be able to recover an amount through our OEB approved fee, and from the financing entity). Anything not recovered from the financing entity would be recoverable as part of the IESO's operating costs budget. There is no estimate of what these costs will be yet as they will not commence for 4 years and we do not yet know whether incremental full time employees will be required.

Is there a draft of the letter of credit mentioned in section 3.14? page 18

No draft yet. We are still not sure if it will be letter of credit or a guarantee, or if it will even be needed. The quantum of the security will likely be an outcome of the ratings process and their assessment of the risk of electricity vendor default.

To discuss section 4.1 (d) subject to bankruptcy..., page 19

Might be best to discuss this with Peter.

We will also need the opinion from Stikeman related to the transfer of the regulatory asset and the derecognition.

Peter is working on it. Peter to update on timing for draft to be provided to Michel.*[Picard, Michel]* Required

Can I also get the final regulations?

Link is provided above.

Where there any amendments to the legislation related to the Ontario Fair Hydro Plan, 2017?

No amendments to the legislation. There were amendments to the regulation, but the link will provide the most current draft.

Michel Picard, CPA, CA

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