Message

From: Michael Boll [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=4811917E15054407B665FE16D12FF415-MICHAEL BOL]
Sent: 2017-09-29 12:10:42 PM
To: LEE John -TREASURY [john.s.lee@opg.com]; WONG Leslie -LAWDIV [leslie.wong@opg.com]; RYFA Ken -TREASURY [ken.ryfa@opg.com]; Rehob, James (ENERGY) [James.Rehob@ontario.ca]; Christie, Tim (ENERGY) [Tim.Christie@ontario.ca]
CC: Jeannette Briggs [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=148095610f7242f48a5a9da24b1a8a87-Jeannette B]; Glenn Zacher (GZacher@stikeman.com) [GZacher@stikeman.com]
Subject: Funding of financing costs during moratorium

All,

Further to our call this morning, below is a simple description of the regulatory model that is proposed to fund the financing entity's debt carrying costs during the period of time that clean energy adjustments are not permitted to be recovered from consumers.

1. Pass regulation pursuant to section 19(3) of the FHA entitling the financial services manager/financing entity to charge costs/interest.

2. Pass regulation pursuant to section 26(1) of FHA requiring IESO to fund financing entity's costs/interest (i.e., funding rebate).

3. Funding rebate amounts paid by IESO are included, along with the IESO deferral, in a variance account (s. 24 (1) of the FHA and s. 16 O. Reg 206/17)

4. All amounts in variance account, including funding rebate amounts, constitute a regulatory asset (s. 25, FHA), which IESO:

   - may transfer to the financing entity (s. 26(1), FHA); or

   - if any balance remains in variance account, recover through OEB-approved rates from specified consumers on or after May 1, 2021 (s. 25, FHA)

5. Being a regulatory asset, the amounts recorded in the variance account are recoverable by the IESO from specified consumers (s. 25, FHA).

***Note: "funding rebate" means a payment obligation incurred by the IESO as part of the transfer of the regulatory assets". Accordingly, the creation of the regulatory asset (i.e., specified consumers payment obligation/IESO recovery right) is contemporaneous with the payment by the IESO of the costs/interest.

Regards,

Michael Boll | Associate General Counsel
Independent Electricity System Operator (IESO) | T: (416) 969-6023
120 Adelaide Street West, Suite 1600, Toronto, ON, M5H 1T1