

Ministry of Energy

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MAY 30 2017

Mr. Bruce Campbell
President and Chief Executive Officer
Independent Electricity System Operator
1600 – 120 Adelaide Street West
Toronto ON M5H 1T1

Dear Mr. Campbell;

Re: Nagagami (Shekak) Generating Facility

I write pursuant to my authority as the Minister of Energy in order to exercise the statutory power of ministerial direction which I have in respect of IESO under the *Electricity Act, 1998*.

Background

The Ministry of Energy ("**Ministry**") and the Ministry of Indigenous Relations and Reconciliation have reached an agreement with Constance Lake First Nation ("**CLFN**") which calls for an adjustment to the basis on which CLFN participates in and derives economic benefits from the operation of the Shekak-Nagagami Hydroelectric Generating Facility located on the Shekak River ("**Shekak Facility**").

The present direction implements this agreement by providing for a new revenue stream ("**Hydrology Adjustment**") to be established by IESO based on the production of the Shekak Facility and paid to CLFN so long as the Facility remains a commercial enterprise which generates and sells electricity or January 31, 2047, whichever is earlier. To protect CLFN from a significant revenue drop in low rainfall years, the present directive establishes a deemed minimum annual electricity production of 66,000 MWh/year ("**Floor**"), regardless of whether actual production is less. The Hydrology Adjustment is also subject to annual escalation by the percent change in the Consumer Price Index for Ontario (All-Items) as published by Statistics Canada under the authority of the *Statistics Act* (Canada) for the calendar year, multiplied by 0.7 and then rounded to the nearest one tenth ("**CPI Increase**").

Subject to the written consent of the Ministry of Energy, not to be unreasonably withheld, CLFN may also assign its right to receive the Hydrology Adjustment to an

entity, including a partnership, wholly owned or controlled, directly or indirectly, by CLFN and operating for the benefit of CLFN as a community ("**CLFN Nominee**").

Direction

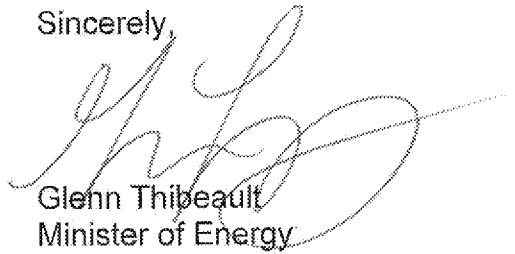
Therefore, pursuant to my statutory authority under subsection 25.32 (8) of the *Electricity Act, 1998*, I hereby direct IESO to:

1. establish and pay to CLFN a Hydrology Adjustment of \$15.00/MWh of actual production from the Shekak Facility commencing on April 6, 2017, and continuing so long as the Facility remains a commercial enterprise which generates and sells electricity or January 31, 2047, whichever is earlier, which Hydrology Adjustment shall include:
 - a. an annual escalation clause equal to the CPI Increase during the previous calendar year, to be applied commencing February 1, 2018 and thereafter on February 1; and
 - b. a minimum annual Hydrology Adjustment of \$15.00/MWh plus escalation as provided in (a) above, multiplied by a deemed annual electricity production of 66,000 MWh/year ("**Floor**"), regardless of whether actual production is less, to reduce the risk to CLFN of a significant revenue drop in low rainfall years;
2. work with the Ontario Electricity Financial Corporation (OEFC) and/or Brookfield BRP Holdings (Canada) Inc. as required in relation to the implementation of the Hydrology Adjustment, including making any necessary arrangements to ensure that IESO is provided actual electricity generation data for the Shekak Facility, and communicate as appropriate with CLFN in relation to the Hydrology Adjustment and its calculation and payment to CLFN; and
3. on February 1 of each year (except 2017), pay to CLFN the annual Hydrology Adjustment for the twelve (12) months commencing on that date and concluding on January 31, calculated at the Floor production level, in advance and without interest, and pay to CLFN on a subsequent date a reasonable time after annual production data is available an additional amount which shall be the difference between the Hydrology Adjustment calculated at the Floor and the Hydrology Adjustment based on actual production for the same twelve (12) month period. For 2017 only, CLFN is to be paid the Hydrology Adjustment calculated at the Floor production prorated from April 6, 2017 to January 31, 2018 as soon as reasonably practicable, and subsequently a reasonable time after annual production data is available an additional amount which shall be the difference between the Hydrology Adjustment calculated at the prorated Floor and the Hydrology Adjustment based on actual production from April 6, 2017 to January 31, 2018; and
4. pay the Hydrology Adjustment to a CLFN Nominee upon the delivery to IESO of a written instrument assigning to such CLFN Nominee the CLFN right to receive

the Hydrology Adjustment and written confirmation from the Ministry of Energy that it consents to the assignment to such CLFN Nominee.

This direction shall be effective and binding as of the date hereof.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Thibeault', with a long horizontal flourish extending to the right.

Glenn Thibeault
Minister of Energy