

Message

From: MAUTI John -FIN & C CTRL [/O=OH/OU=TORONTO/CN=RECIPIENTS/CN=932974]
Sent: 17/04/2017 5:57:38 PM
To: 'Tracy Brennan' [tracy.brennan@ca.ey.com]
CC: HARTWICK Ken -FINANCE [/O=OH/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=217097]; MAUTI John -FIN & C CTRL [/O=OH/OU=Toronto/cn=Recipients/cn=932974]; JORDA Jenny -FIN & C CTRL [/O=OH/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=216872]; LEE John -TREASURY [/O=OH/OU=Toronto/cn=Recipients/cn=366646]; WONG Leslie -LAWDIV [/O=OH/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=217803]; RYFA Ken -TREASURY [/O=OH/OU=Toronto/cn=Recipients/cn=792883]
Subject: FW: EXTERNAL – RE: Ontario Fair Hydro Plan V2
Attachments: Blackline Fair Hydro Act (April 15 2017) Consultationv4 - Fair Hydro Act....pdf

Slightly revised Tracy....mainly small editorial only with no substantive changes per John Lee.

One key issue on interest income earned by the Trust.....would like to use an example:

Year One:

- \$100M principle deferred
- 5% interest rate

Year Two

- \$100M principle deferred again
- 5% interest rate
- \$5M in interest incurred on year one deferral

The entries for year 2 for the Trust are:

1) OPG Trust - Pay yr. 1 interest to bondholders

DR.	Int Expense	5	
CR.	Cash		5

2) OPG Trust borrows for Yr 2 – Both principal Yr 2 and interest earned on Yr 1

DR.	Cash	105	
CR.	Debt – Yr 2		105

3) OPG buys intangible from IESO for Yr 2 and recognizes interest income

DR.	Intangible	105	
CR.	Cash		100
CR.	Int. Income		5

Net result is customers owe \$105 for yr 2; OPG remits \$100 to the IESO for the Yr 2 principle; ratepayers effectively finance the interest income owed to the Trust by increasing their indebtedness.

If this is acceptable to recognize income, we think this is what the Province had in mind with the 5 year "deferral" on making payments. We can break the transaction into sub pieces (\$100 of the deferral is for the FHP deferral and \$5 is the financing piece) but the net result is as stated above. If there are threshold tests in the legislation (i.e. no more than 10% of any one deferral represents financing costs), there will not be enough room to fully defer interest payments to the trust for 5 years but assume we will let legislation pave the way for that test.

If the above is acceptable to allow the Trust to recognize income, we will feed that back to the legislation drafters to ensure there is absolute alignment.

Thanks

John

From: LEE John -TREASURY
Sent: Monday, April 17, 2017 5:17 PM
To: MAUTI John -FIN & C CTRL; JORDA Jenny -FIN & C CTRL
Cc: RYFA Ken -TREASURY; WONG Leslie -LAWDIV
Subject: FW: EXTERNAL – RE: Ontario Fair Hydro Plan V2

John/Jenny:

Attached is version 2. More of a cleanup of the notes from Version 1.
The next turn which should include more of the business concepts will come either late tomorrow or Wednesday.

John

From: Hill, Krista [<mailto:khill@torys.com>]
Sent: Monday, April 17, 2017 12:13 PM
To: WONG Leslie -LAWDIV; MCAULEY Tyler -LAWDIV; LEE John -TREASURY; 'Alan Hibben' (alan.hibben@rogers.com); 'Niehaus, Katrina'; 'Benaiah, Ian'; Feldman, Michael; 'Persaud, Donnie - Debt Capital Markets'; 'Turnbull, Vickie'; 'Dal Bello, David'; Mansoori, Nina; 'Sebastiano, Rocco'; 'Fitzpatrick, Michael F.'; 'O'Brian, Adam'; Emes, Aaron; JORDA Jenny - FIN & C CTRL; Myers, Jonathan
Cc: Hill, Krista
Subject: EXTERNAL – RE: Ontario Fair Hydro Plan

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We ran a blackline to assist with your review. Please see attached.

P. 416.865.7953 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com

TORYS
LLP

From: Kacaba, Jennifer (ENERGY) [<mailto:Jennifer.Kacaba@ontario.ca>]
Sent: April-17-17 12:00 PM
To: Rehob, James (ENERGY) <James.Rehob@ontario.ca>; Shear, Dan (ENERGY) <Dan.Shear@ontario.ca>; Nelms, Scott

(MOF) <Scott.Nelms@ontario.ca>; Hume, Steen (ENERGY) <Steen.Hume@ontario.ca>; Christie, Tim (ENERGY) <Tim.Christie@ontario.ca>; Leslie.Wong@opg.com; 'MCAULEY Tyler -LAWDIV' (tyler.mcauley@opg.com) <tyler.mcauley@opg.com>; John.S.Lee@opg.com; JUDY.WILSON@blakes.com; Stephen.Ashbourne@blakes.com; Bryson.Stokes@blakes.com; 'Alan Hibben' (alan.hibben@rogers.com) <alan.hibben@rogers.com>; Brad.Purkis@tdsecurities.com; Maharukh.Hilloowala@tdsecurities.com; Michael.Wolff@tdsecurities.com; Harold.Holloway@tdsecurities.com; 'Niehaus, Katrina' <Katrina.Niehaus@gs.com>; 'Benaiah, Ian' <ian.benaiah@rbccm.com>; Nevison, Gary (Gary.Nevison@tdsecurities.com) <Gary.Nevison@tdsecurities.com>; Thom, Trevor (Trevor.Thom@tdsecurities.com) <Trevor.Thom@tdsecurities.com>; Akman, Steven (Steven.Akman@tdsecurities.com) <Steven.Akman@tdsecurities.com>; Thompson, Susan (Susan.Thompson@tdsecurities.com) <Susan.Thompson@tdsecurities.com>; Manii, David (david.manii@tdsecurities.com) <david.manii@tdsecurities.com>; Feldman, Michael <mfeldman@torys.com>; 'Persaud, Donnie - Debt Capital Markets' <Donnie.Persaud@cibc.com>; Hill, Krista <khill@torys.com>; 'Turnbull, Vickie' <vickie.turnbull@rbccm.com>; 'Dal Bello, David' <david.dalbello@rbccm.com>; Mansoori, Nina <nmansoori@torys.com>; 'Sebastiano, Rocco' <RSebastiano@osler.com>; 'Fitzpatrick, Michael F.' <MFitzpatrick@hunton.com>; michael.boll@ieso.ca; Kim Marshall <Kim.Marshall@ieso.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; 'Glenn Zacher' <GZacher@stikeman.com>; 'O'Brian, Adam' <aobrian@hunton.com>; Emes, Aaron <aemes@torys.com>; 'Peter Hamilton' <PHamilton@stikeman.com>; 'JORDA Jenny -FIN & C CTRL' <jenny.jorda@opg.com>; maryanne.albred@ontarioenergyboard.ca; Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Cc: Calwell, Carolyn (ENERGY/MEDEI/MRI) <Carolyn.Calwell@ontario.ca>; Myers, Jonathan <jmyers@torys.com>; Suzie Gignac (suzie.r.gignac@ca.ey.com) <suzie.r.gignac@ca.ey.com>; Blake Langill (blake.w.langill@ca.ey.com) <blake.w.langill@ca.ey.com>; LeeAnne.Probert@ca.ey.com; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Hosick, Sarah (TBS) <Sarah.Hosick@ontario.ca>
Subject: RE: Ontario Fair Hydro Plan

Please find attached a further turn of the consultation draft. This document continues to be a work in progress. We have not had the opportunity to add notes or update our tracking table. We also have not yet considered the comments that we received this morning. We look forward to seeing you at 1.

Jennifer

Jennifer J. Kacaba
Counsel
MAG Civil Law Division
Ministries of Energy / Economic Development & Growth /
Research, Innovation & Science / Infrastructure / Accessibility
56 Wellesley Street West, 18th Floor.
Toronto
M7A 2E7
(416) 212-4867

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From: Calwell, Carolyn (ENERGY/MEDEI/MRI)

Sent: April 15, 2017 10:06 PM

To: Rehob, James (ENERGY); Shear, Dan (ENERGY); Kacaba, Jennifer (ENERGY); Nelms, Scott (MOF); Hume, Steen (ENERGY); Christie, Tim (ENERGY); Leslie.Wong@opg.com; 'MCAULEY Tyler -LAWDIV' (tyler.mcauley@opg.com); John.S.Lee@opg.com; JUDY.WILSON@blakes.com; Stephen.Ashbourne@blakes.com; Bryson.Stokes@blakes.com; 'Alan

Hibben' (alan.hibben@rogers.com); Brad.Purkis@tdsecurities.com; Maharukh.Hilloowala@tdsecurities.com; Michael.Wolff@tdsecurities.com; Harold.Holloway@tdsecurities.com; 'Niehaus, Katrina'; 'Benaiah, Ian'; Nevison, Gary (Gary.Nevison@tdsecurities.com); Thom, Trevor (Trevor.Thom@tdsecurities.com); Akman, Steven (Steven.Akman@tdsecurities.com); Thompson, Susan (Susan.Thompson@tdsecurities.com); Manii, David (david.manii@tdsecurities.com); 'Feldman, Michael'; 'Persaud, Donnie - Debt Capital Markets'; 'Hill, Krista'; 'Turnbull, Vickie'; 'Dal Bello, David'; 'Mansoori, Nina'; 'Sebastiano, Rocco'; 'Fitzpatrick, Michael F.'; michael.boll@ieso.ca; Kim Marshall; Veinot, Cindy (TBS); 'Glenn Zacher'; 'O'Brian, Adam'; 'Emes, Aaron'; 'Peter Hamilton'; 'JORDA Jenny -FIN & C CTRL'; maryanne.aldred@ontarioenergyboard.ca; Petsche, Nadine (TBS)

Cc: 'Myers, Jonathan'; Suzie Gignac (suzie.r.gignac@ca.ey.com); Blake Langill (blake.w.langill@ca.ey.com); LeeAnne.Probert@ca.ey.com; Kandeepan, Ken (OFA); Hosick, Sarah (TBS)

Subject: Ontario Fair Hydro Plan

All - Please find attached the draft "Intergenerational Fairness in Hydro Rates Act, 2017". A tremendous amount of work has gone into getting to this draft and much more work is required to get this ready for the House. The goal of sharing this document now is to further the process we have engaged in over the last weeks. In the attached, we have included notes to try to address where the drafting is not yet consistent with our thinking. These notes are neither comprehensive nor complete. They are intended only as flags and as colour to the draft. We have not forgotten the comments that you have already provided and we are continuing to working through the translation of the commercial terms we have been discussing into legislative language.

For ease of reference, included with the draft bill are the partially updated Blakes' summary, a chart that attempts links the articles in that document to the sections of the bill (which is imperfectly numbered at best) and excerpts from the Electricity Act and the Ontario Energy Board Act, related to the consequential amendments.

In your review, please focus on the broad stroke concepts, rather than the minutia, and keep in mind the cascade of instruments that will be required – legislation first, then regulations and finally commercial agreements. We look forward to discussing the broader concepts on Monday

Carolyn Calwell
Legal Director
MAG Civil Law Division
Ministries of Energy / Economic Development & Growth /
Research, Innovation & Science / Infrastructure / Accessibility
416-212-8392

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