Message

From: HARTWICK Ken -FINANCE [/O=OH/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=217097]
Sent: 2017-06-24 8:36:07 PM
To: MAUTI John -FIN & C CTRL [/o=OH/ou=Toronto/cn=Recipients/cn=932974]
Subject: Fw: Ministry Meeting update

as per my last email.

From: HARTWICK Ken -FINANCE
Sent: Saturday, June 24, 2017 7:59 PM
To: LEE John -TREASURY; CROZZOLI Carlo -CBUSDEV&STRT; WONG Leslie -LAWDIV
Subject: Re: Ministry Meeting update

Team
I had a conversation with Scott Nelms on the topic related to the OEB and management services. He acknowledges that they are the ones that were just not paying attention and we are not changing our asks. His take was that they were focused on the legislation. I reiterated our point that the in order to achieve all of the objectives that are being asked of these items need to be addressed. His issues and my comments were as follows:
1. OEB - they need to have a meaningful role and we need more time to define that role and do not want to bind them in regulations that are about to be put forward. My comment was that I agree they need a role. That role needs to be defined in full before we go to the credit rating agencies which is in the next couple of weeks. He did not seem to fully grasp this was important which is odd. I indicated that both the role on the establishment of the asset and OPG management services needs to be clear as both the Trust and OPG will have their credit rating examined. I think this is the part that was missed.
2. Management fee - He indicated that a cost plus model with some variability can be achieved to meet the accounting test and that they need more time to discuss with us the options. My comment was that we have provided them with the fee structure which formed part of what we took to the Board. The fee has to have variability and also be material. Again he missed the material part of the discussion. I indicated this sounded like another change which when put with the legal opinion, Navigant and this erodes the Board ability to support the transaction. Management is not willing to keep going back with continual changes because of the linear process being conducted by the Province.
3. Sub Debt - He did not bring this up I did. I indicated that I was waiting for the discussion to price the sub debt at some out of market level which again would further erode the accounting and Board support. He agreed that this should be agreed to in conjunction with the Management fee which was my ask. It should also be clear that this is priced to market which to me is riskier without Navigant let alone the first alternative they gave for a 2 year plan.
4. Navigant - I reiterated our point that we either need the report or the full 30 year model provided and endorsed by MOE. I think they are heading in that direction.

Net - He has indicated that the July regulations will firm these up they simply cannot get to this set. Not a good timing spot re talking to the credit rating groups. We need to keep pressure on the MOE that each of the above need to be done before credit rating process formally begins. To the extent this goes beyond week 2 of July we will not meet the timeline for transacting pre september 30 from the IESO.

On the OPG platform lets push as we are on this being put in place.

Let me know if you have any questions.

From: LEE John -TREASURY
Sent: Thursday, June 22, 2017 11:17 AM
To: CROZZOLI Carlo -CBUSDEV&STRT; HARTWICK Ken -FINANCE
Subject: RE: Ministry Meeting update

Highlights:

- Energy will provide a full curve for the FHP. Did not press them on the "attestation" expectation.

- They have come to the recognition that the FHP will need to be disclosed as it forms part of the input to the LTEP.
- Steen did indicate after the meeting that the Navigant report will not be provided

- Serge asked a number of questions on the timing and expectations for the Rating process. I re-emphasised to him that having the baseline curve for the whole program is fundamental to the rating assessment. Steen indicated that they would work with us to ensure we get the appropriate information to meet the timelines for the rating process.
- Commercially Sensitive
- I fielded a number of questions on our "ask" and changes to the draft regulation. I indicated that our comments reflect the minimum business components need to ensure that we meet the consolidation requirements by E&Y and it is consistent with the business deal we had presented/negotiated with E&Y. Carolyn, after the meeting remarked that it was helpful context and she has a better appreciation why and where our comments were coming from. Hopefully this means they will be more willing to accept our comments and just drop in our edits to the regulation as the clock is ticking down. The plan is still to take the regulation to Cabinet on June 27th for approval. ..... Carolyn commented that

Redacted - Commercially Sensitive