ONTARIO POWER GENERATION

AGENDA
SPECIAL COMMITTEE
Friday, September 29, 2017
9:00 a.m. – 10:00 a.m.
Via Teleconference

Conference Call number:
North America Toll Free: 1-888-402-9166
GTA: 416-933-8665
Conference ID: 9203771#

CONSTITUTION OF MEETING	*9:00 a.m.*
1. **Constitution of Meeting** a) Approval of Agenda b) Declaration of Conflicts of Interest	George Lewis
2. **Minutes of Meeting/Actions Arising from the Minutes** – September 22, 2017	George Lewis
FOR INFORMATION ITEMS	
3. **Update from Ministry Rate Mitigation Working Group Meeting** The purpose of this item is to provide a verbal update on progress with respect to implementation of the Province's Fair Hydro Plan, including: • the regulations • the Fair Allocation Amount/Curve – Letter from the Minister • accounting treatment • agreements to implement the GA refinancing.	Ken Hartwick Carlo Crozzoli John Lee Les Wong
TERMINATION OF MEETING	*10:00a.m.*
NEXT MEETING – TBC	

Item No. 1

Constitution of Meeting

a) Approval of Agenda
b) Declaration of Conflicts of Interest

Minutes of a meeting of the Special Committee of the Board of Directors of Ontario Power Generation, held by teleconference call on September 22, 2017, at 7:00 a.m.

Present	
George Lewis	Committee Chair
Bill Coley	Member
Lisa DeMarco	Member
Bernard Lord	Member
Peggy Mulligan	Member
Yezdi Pavri	Member

being a quorum of the Directors of the Committee, and

Jeffrey Lyash	President and Chief Executive Officer
Catriona King	Vice President, Corporate Secretary
Carlton Mathias	Assistant Corporate Secretary
Evelyn Wong	Assistant Board Secretary

The following individuals were in attendance:

Ken Hartwick	Chief Financial Officer and SVP - Finance
Carlo Crozzoli	SVP Corporate Business Development & Strategy
Chris Ginther	Chief Administrative Officer
Jennifer Rowe	SVP Corporate Affairs
John Lee	Vice President, Treasurer
John Mauti	Vice President, Chief Controller and Accounting Officer
Les Wong	Senior Counsel, OPG Law Division
Bill Orr	Fasken Martineau
Aaron Atkinson	Fasken Martineau

1. Constitution of Meeting/Approval of Agenda

   Notice of the meeting having been given to all the members of the Special Committee and a quorum of the members being present, the Committee Chair declared the meeting regularly constituted for the transaction of business on September 22, 2017 at 7:00 am.

   a) Approval of Agenda

      Upon a motion duly made, seconded and unanimously agreed to, it was RESOLVED THAT:

      - The agenda for the September 22, 2017 meeting of the Special Committee was approved.

   b) Declaration of Conflicts of Interest

      The Committee Chair asked if there were any real, potential, or perceived conflicts of interest to disclose and none were declared.

2. Minutes of Meeting/Actions Arising from the Minutes

   Upon a motion duly made, seconded and unanimously agreed to, it was RESOLVED THAT:

   - The minutes of the July 28, 2017 meeting of the Special Committee were approved.

There were no outstanding actions.

3. Update from Ministry Rate Mitigation Working Group Meeting

Mr. Hartwick gave a verbal update to the Committee on progress with respect to implementation of the Province's Fair Hydro Plan and noted the following in particular:

- Not all of the Board's May 12, 2017 conditions for OPG's participation in the Fair Hydro Plan have concluded.
- The Treasury Board and the Cabinet will be considering and making certain determinations on the Fair Hydro Plan on September 25 and 26, respectively. This is driving the status of the program relative to OPG's conditions.
- The status of the conditions is as set out in the Draft Special Committee Report to the Board dated September 20, 2017 (the "Draft Report") which is part of this meeting's written materials in relation to agenda item number 4. With respect to the outstanding conditions:

1. ***Regulations under the Ontario Fair Hydro Plan Act:*** in addition to what is set out in the Draft Report, OPG anticipates that in respect of the role of the OEB, the OEB's role will not include benchmarking the management fees to be paid to OPG. Rather, this role will be assumed by the Ministry of Finance. OPG expects to achieve a satisfactory outcome on this matter
2. ***Management fees to be paid to OPG:*** an agreement in principle was reached with the Province on a construct that is consistent with OPG's approach. The matter is under review by the OEB and its comments are awaited
3. ***Fair Allocation Curve:*** OPG is expecting to receive a letter from the Minister of Energy that will quantify the Fair Allocation Amount over a period of two years. OPG also expects to receive a separate letter from the Deputy Minister of Energy that estimates the Fair Allocation Amount over a period of thirty years. From what OPG has been advised by the Province so far, the Province's expected quantification amounts and methodology of calculation are consistent with OPG's expectations
4. ***Provincial Guarantee:*** respecting the obligations incurred by the Financing Entity, OPG understands that Treasury Board and Cabinet will be making a determination on a term sheet that includes a guarantee on an envelope amount for the first two years of the Plan. OPG expects that the provisions of the term sheet will be sufficient for OPG's purposes.

With respect to being able to bring forward a Financing Plan for approval by the Board and submission to the Minister, OPG has had discussions with the Ministry of Finance and Ministry of Energy, and we have agreed that we should close out the conditions and complete the rating agencies review before finalizing the Financing Plan for approval. That process is expected to take up to five weeks after it starts, putting a return to the Board closer to the end of November.

The Committee asked a number of questions on the role of the OEB, the role of the IESO, credit ratings of the subordinated debt, OPG's ability to transfer the subordinated debt and OPG's options to buy or not buy the IESO debt to all of which Mr. Hartwick, Mr. Ginther and Mr. Lee responded.

4. Draft Special Committee Report to the Board

Mr. Orr spoke to the written materials provided and noted that the Board's approval of OPG's participation in the Fair Hydro Plan should remain conditional until the Special Committee reports to the Board that all of OPG's conditions have been satisfied.

The Committee requested that as Mr. Orr and OPG management continue to work on the Draft Special Committee Report to the Board on the Committee's behalf, that an appendix to the Report be prepared that sets out a summary of the issues addressed and the final result on each.(*)

In response to a request from the Committee, Mr. Ginther took accountability for providing the Committee with a written document (s) that sets out the key elements of the Financing Plan, the operating procedures of the Financing Entity, the protections in OPG's favour as set out in the Financing Plan agreements, and the role of the OPG Board with respect to the Financing Entity's activities.(*)

Mr. Lewis conferred with the Committee and with Mr. Lord, as Chair of the Board, and it was agreed that the Special Meeting of the Board scheduled for September 29, 2017 should be deferred since some of the OPG conditions remain outstaning and the Committee will not be in a postion to make a recommendation to the Board.

The Committee agreed to keep the Committee meeting scheduled for September 29th, but to abridge to one hour for an update from Mr. Hartwick.

5. Termination

The meeting terminated at 7:40 a.m.

Special Committee Chair

Vice President, Corporate Secretary

Asterisk (*) denotes action to be taken

SPECIAL COMMITTEE
ACTIONS ARISING FROM THE MINUTES
OF THE MEETING OF SEPTEMBER 22, 2017

DATE	ACTION ITEM	ACCOUNTABILITY	RESPONSE FROM MANAGEMENT
Sept 22, 2017	That an appendix to the Special Committee Report to the Board be prepared that sets out a summary of the issues addressed and the final result on each	K. Hartwick	Preparation of the appendix is underway and will be finalized once all of the issues are dispositioned.
Sept 22, 2017	Provide the Committee with a written document (s) that sets out the key elements of the Financing Plan, the operating procedures of the Financing Entity, the protections in OPG's favour as set out in the Financing Plan agreements, and the role of the OPG Board with respect to the Financing Entity's activities.	C. Ginther	Preparation of the written materials is underway and will be brought back to the Committee once the source and reference documents are finalized.

Ministry of Energy

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Ontario

MC-2017-1757

SEP 2 8 2017

Mr. Bernard Lord
Board Chair
Ontario Power Generation
700 University Avenue
Toronto ON M5G 1X6

Dear Mr. Lord:

Re: *Ontario Fair Hydro Plan Act, 2017* and the Fair Allocation Amount

I write pursuant to my obligation under subsection 20(4) of the *Ontario Fair Hydro Plan Act, 2017* (the Act) to provide Ontario Power Generation (OPG), acting in its capacity as Financial Services Manager under the Act, with the Fair Allocation Amount (FAA) in respect of each reference period from July 1, 2017 to April 30, 2047. Terms used in this letter that are also used in the Act and the related regulations have the definitions provided for in the Act and the related regulations.

The FAA for each reference period, determined in accordance with subsection 20(1) of the Act and Ontario Regulation 206/17 (General) made under the Act, including associated estimated financing costs, shall be the amount set out in Schedule "A" to this letter. I would also note that the estimated financing costs, including estimated fees, contained within the FAAs are reflective of input from OPG staff.

Also included in Schedule "A" are the readjustment amounts for the first four reference periods and additional readjustments that are expected to be made beyond the first four reference periods, reflective of past overpayments of clean energy costs between 2005 and 2017 and consistent with the Government of Ontario's commitment to hold rate increases, for four years, to not more than the rate of inflation. The recovery of these readjustment amounts and related interest costs have been included in the calculation of the FAAs in Schedule "A" as per subsection 20(2) of the Act and related regulations.

.../cont'd

To support the calculation of the FAA, the potential useful life of clean energy assets has been examined and a fair allocation of clean energy costs associated with those assets over time provided, so that specified consumers in the future pay their fair share for the benefits that they receive from those clean energy assets.

I trust OPG in its role as Financial Services Manager, under the Act, will prepare the Financing Plan in accordance with subsection 21(3) of the Act that reasonably aligns with these FAAs. I would also note that under the Act, the FAA amounts included in Schedule "A" may be updated in consultation with OPG staff from time to time. We expect that the FAA amounts will be updated on a periodic basis to reflect actual Independent Electricity System Operator (IESO) deferrals from actual Global Adjustment costs and consumer rate reductions and actual costs of the financing entities under Ontario's Fair Hydro Plan.

I would also note that Ministry of Energy staff would provide OPG staff with the residential bill assumptions from the upcoming 2017 Long-Term Energy Plan to provide further context in relation to the amounts included in Schedule "A".

We look forward to continuing to work with you as this initiative moves forward.

Sincerely,

Glenn Thibeault
Minister

Enclosure

c: Serge Imbrogno, Deputy Minister of Energy
Jeff Lyash, President and CEO, Ontario Power Generation

SCHEDULE "A" – FAIR ALLOCATION AMOUNT

REFERENCE PERIOD	FAIR ALLOCATION AMOUNT (FAA) ($ million)	READJUSTMENT AMOUNT (RA) ($ million)
2017-Jul	-931	-74
2017-Nov	-779	-341
2018-May	-629	-470
2018-Nov	-562	-564
2019-May	-535	-617
2019-Nov	-462	-721
2020-May	-431	-781
2020-Nov	-348	-784
2021-May	-98	-250
2021-Jul	-213	-546
2021-Nov	-233	-697
2022-May	-197	-657
2022-Nov	-130	-501
2023-May	-98	-429
2023-Nov	-50	-287
2024-May	-27	-220
2024-Nov	21	-73
2025-May	45	-
2025-Nov	95	-
2026-May	121	-
2026-Nov	141	-
2027-May	152	-
2027-Nov	224	-
2028-May	262	-
2028-Nov	376	-
2029-May	437	-
2029-Nov	612	-
2030-May	706	-
2030-Nov	678	-
2031-May	673	-
2031-Nov	719	-
2032-May	751	-
2032-Nov	767	-
2033-May	785	-
2033-Nov	937	-
2034-May	1,024	-
2034-Nov	1,075	-
2035-May	1,113	-
2035-Nov	1,115	-
2036-May	1,129	-
2036-Nov	1,095	-
2037-May	1,091	-
2037-Nov	1,091	-
2038-May	1,105	-
2038-Nov	992	-
2039-May	948	-
2039-Nov	848	-

REFERENCE PERIOD	FAIR ALLOCATION AMOUNT (FAA) ($ million)	READJUSTMENT AMOUNT (RA) ($ million)
2040-May	809	-
2040-Nov	756	-
2041-May	738	-
2041-Nov	725	-
2042-May	728	-
2042-Nov	697	-
2043-May	690	-
2043-Nov	692	-
2044-May	701	-
2044-Nov	698	-
2045-May	705	-
2045-Nov	753	-
2046-May	786	-
2046-Nov	945	-
2047-May	1,376	-