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**BY E-MAIL ONLY**

January 26, 2018

Lubna Ladak  
Ontario Power Generation Inc.  
700 University Avenue  
Toronto ON M5G 1X6

Dear Ms. Ladak:

**Re: Ontario Power Generation Inc. (OPG)  
Fair Hydro Plan General Fee Application  
Ontario Energy Board File No.: EB-2017-0375**

Further to its acknowledgement letter of December 22, 2017, the Ontario Energy Board (OEB) has completed its preliminary review of OPG's Fair Hydro Plan General Fee Application. The application seeks approval of the proposed general fee to be charged by OPG in its capacity as the Financial Services Manager for the purposes of the *Ontario Fair Hydro Plan Act, 2017* (Act) for the period beginning January 1, 2018 and ending March 31, 2019. OPG has requested that the application proceed without a hearing.

In accordance with subsection 10.6(1) of Ontario Regulation 206/17 made under the Act, the OEB may "(a) approve the fee proposed under section 10.5; or (b) refuse to approve the fee if the Board is of the view that any forecast interest rate used for the purposes of paragraph 1 of subsection 10.5(2) is materially inconsistent with market comparable forecast interest rates."

In its application, OPG indicates that it will file additional evidence after the credit rating agencies have issued a credit rating for the Fair Hydro Plan Trust (FH Trust) and debt has been issued (expected February 2018). This evidence will include interest rate forecasts derived from three factors: (i) a forecast of long-Canada bond rates; (ii) a forecast risk premium for Ontario long-term interest rates; and (iii) a risk premium for the FH Trust. The update to the written evidence will also include an assessment of market comparable forecast interest rates. OPG has indicated that providing a public forecast

of the FH Trust credit risk premium in advance of the credit rating agencies having issued a credit rating for the FH Trust and having issued debt could negatively impact OPG's ability to minimize the spread premium.

The OEB understands that this additional evidence will be critical to the assessment it must make of whether "any forecast interest rate used for the purposes of paragraph 1 of subsection 10.5(2) is materially inconsistent with market comparable forecast interest rates."

The OEB expects OPG to file the additional evidence, which is required for the OEB to process its application, as soon as possible, and in any case, before the first funding tranche is issued in the January 1, 2018 to March 31, 2019 period.

If OPG has concerns that the public disclosure of certain information could negatively impact its ability to secure an optimal interest rate, it may request for such information to be treated confidentially in accordance with the OEB's *Practice Direction on Confidential Filings*. Such concerns should not, in the OEB's view, delay the filing of the information.

Once the additional evidence has been reviewed, the OEB will determine whether to hold a hearing, and if so, the manner of hearing (i.e. written or oral).

Please direct any questions related to this application to Andrew Bishop, Project Advisor, at [andrew.bishop@oeb.ca](mailto:andrew.bishop@oeb.ca) and to Ian Richler, OEB Counsel, at [Ian.Richler@oeb.ca](mailto:Ian.Richler@oeb.ca).

Yours truly,

*Original Signed By*

Kristi Sebalj  
Registrar

cc. Leslie Wong, Ontario Power Generation