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SEP 30 2016

Mr. Scott Thompson
Chair
Ontario Electricity Financial Corporation
1 Dundas Street West, Suite 1400, 14th Floor
Toronto, Ontario
M7A 1Y7

Dear Mr. Thompson:

I am pleased to write to you in your capacity as Chair of the Ontario Electricity Financial Corporation (OEFC). Pursuant to the requirements of the Agencies and Appointments Directive, this letter sets out my expectations for the OEFC for the 2017-18 fiscal year.

Ontario's board-governed agencies are vital partners in ensuring the delivery of high quality services for the benefit of Ontarians. The people of Ontario depend on you to provide leadership to your agency's board, management and staff. Together with your fellow board members, the people of Ontario rely on you to establish the goals, objectives, and strategic direction for the agency consistent with your agency mandate, government policies, and my directions where appropriate.

As you know, pursuant to the *Electricity Act, 1998*, your agency is mandated to manage the former Ontario Hydro's debt and certain other liabilities. Ensuring that electricity sector debt is prudently and cost-effectively managed is one of the priorities in the government's budget. I am pleased to note that for OEFC, 2015-16 was the twelfth consecutive year that OEFC's unfunded liability ("stranded debt") has been reduced and that, as a result of the government's asset optimisation initiative to broaden the ownership of Hydro One, OEFC's 2015-16 results showed the largest ever annual reduction in its unfunded liability.

I expect the OEFC to build on this success as it continues to focus on:

- managing its debt, financial risks and liabilities, including the debt of the former Ontario Hydro;
- managing the former Ontario Hydro's contracts with non-utility generators (NUGs);

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- receiving all payments and administering other assets, liabilities, rights and obligations of the OEFC that were not transferred to another of the former Ontario Hydro successor corporations;
- providing financial assistance to the successor corporations of Ontario Hydro;
- entering into financial and other agreements relating to the supply and demand management of electricity in Ontario; and
- working with, as appropriate, the Ministry of Finance and Ministry of Energy, to support the implementation of the government's electricity industry policies and determine the impact on the OEFC.

I thank you and your fellow board members for your service.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles Sousa', written in a cursive style.

Charles Sousa
Minister

c: Scott Thompson, Deputy Minister of Finance
Gadi Mayman, Chief Executive Officer and Vice Chair, Ontario Electricity Financial Corporation