FW: FHP Trust Offering

From: "Orsini, Steve (CAB)" <steve.orsini@ontario.ca>
To: "Bromm, William (CAB)" <william.bromm2@ontario.ca>, "Matela, Angelo (CAB)" <angelo.matela@ontario.ca>, "Kwamena, Boafoa (CAB)" <boafoa.kwamena@ontario.ca>
Date: Fri, 09 Feb 2018 19:14:07 -0500

From: Imbrogno, Serge (ENERGY)
Sent: Friday, February 09, 2018 7:14:05 PM (UTC-05:00) Eastern Time (US & Canada)
To: Orsini, Steve (CAB)
Cc: Davidson, Steven (CAB); Thompson, Scott (MOF); Mayman, Gadi (OFA); Kwamena, Boafoa (CAB); Schlaepfer, Martin (ENERGY)
Subject: Re: FHP Trust Offering

> Steve,
>
> Today OPG advised that the remainder of the debt is split between $382 million of “subordinated” debt at an interest rate of 3.637% and $98 million of “junior subordinated” debt at 3.957%.
>
> The effective interest rate of 3.526% is the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated).

Sent from my iPad

On Feb 7, 2018, at 6:22 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca> wrote:

> Serge,
>
> Thanks. Please let us know the outcome of your analysis.
>
> ---
>
> **From:** Imbrogno, Serge (ENERGY)
> **Sent:** February 7, 2018 6:21 PM
> **To:** Orsini, Steve (CAB)
> **Cc:** Davidson, Steven (CAB); Kwamena, Boafoa (CAB)
> **Subject:** Re: FHP Trust Offering
>
>> Steve,
>>
>> A number of inputs will vary over the thirty-year life of the GA refinancing program and will continue to be revised to reflect changing conditions (e.g., changes in interest rates).
>>
>> The Ministry analysis underpinning the *2017* Fair Allocation Amount (FAA) included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years). Note: Navigant’s modelling of GA refinancing assumed an interest rate of 4.5%. In the development of the 2017 FAA the interest rate assumptions were revised to 5% based on consultations with OPG.
>>
>> The announcement yesterday that OPG was able to secure an interest rate of 3.357% for the senior debt on its first issuance has a 15 year term and a value of $500 million.

OPG advises that the remainder of the debt is split between "subordinated" and "junior subordinated" debt. The effective interest rate will be the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated). OPG is expected to finalize the pricing for the subordinated and junior subordinated debt within the next 48 hours. The pricing will be based in part on the pricing of the senior series.

Sent from my iPad

On Feb 6, 2018, at 10:29 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca> wrote:

Thanks Serge.

How does this compare to the costs assumed in the modelling?

From: Imbrogno, Serge (ENERGY)
Sent: February 6, 2018 2:36 PM
To: Orsini, Steve (CAB); Davidson, Steven (CAB)
Cc: Kwamena, Boafoa (CAB)
Subject: FHP Trust Offering

Hi Steve,

Not sure if you received an update already, but below is the result of the OPG Trust financing this afternoon for the OFHP:

- OPG has informed us that pricing has been confirmed at 3.357% and they financed $500m.
- This is 92 bps over GOC, so it is still the lowest cost.

- The OFA has confirmed that the issue was 23 bps over the Ontario curve.

OPG is providing a technical briefing for the media at 3:00.