Re: Hydro - $25B interest

From: "Moore, Brynne (MOF)" <brynne.moore@ontario.ca>
To: "Nekolaichuk, Colin (ENERGY)" <colin.nekolaichuk@ontario.ca>, "Killorn, Bill (OPO)" <bill.killorn@ontario.ca>, "Jackson, Kelly (MOF)" <kelly.jackson2@ontario.ca>, "Forgione, Andrew (OPO)" <andrew.forgione@ontario.ca>, "Berry, James (ENERGY)" <james.berry5@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <andrew.teliszewsky@ontario.ca>, "Beaudry, Jennifer (OPO)" <jennifer.beaudry2@ontario.ca>, "@OPO-Media Relations and Issues Management" <opo-mediarelationsandissuesmgmt@msgov.gov.on.ca>
Cc: "Jancik, Mike (TBS)" <mike.jancik@ontario.ca>, "Tedesco, Lauren (TBS)" <lauren.tedesco@ontario.ca>, "Martin, Jessica (MOF)" <jessica.martin@ontario.ca>, "Ghiassi, Ali (MOF)" <ali.ghiassi@ontario.ca>
Date: Mon, 06 Mar 2017 09:28:52 -0500

Hi everyone,

Just wanted to flag that the FAO was in fact briefed by our officials last week.

Original Message
From: Nekolaichuk, Colin (ENERGY)
Sent: Sunday, March 5, 2017 7:04 PM
To: Killorn, Bill (OPO); Jackson, Kelly (MOF); Forgione, Andrew (OPO); Berry, James (ENERGY); Teliszewsky, Andrew (ENERGY); Beaudry, Jennifer (OPO); @OPO-Media Relations and Issues Management
Cc: Jancik, Mike (TBS); Tedesco, Lauren (TBS); Martin, Jessica (MOF); Moore, Brynne (MOF); Ghiassi, Ali (MOF)
Subject: Re: Hydro - $25B interest

Sent. Thanks.

Colin Nekolaichuk | Press Secretary
Office of the Hon. Glenn Thibeault | Minister of Energy
T: 416-325-2690 C: 647-504-4928
colin.nekolaichuk@ontario.ca

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Killorn, Bill (OPO)
Sent: Sunday, March 5, 2017 6:54 PM
To: Nekolaichuk, Colin (ENERGY); Jackson, Kelly (MOF); Forgione, Andrew (OPO); Berry, James (ENERGY); Teliszewsky, Andrew (ENERGY); Beaudry, Jennifer (OPO); @OPO-Media Relations and Issues Management
Cc: Jancik, Mike (TBS); Tedesco, Lauren (TBS); Martin, Jessica (MOF); Moore, Brynne (MOF); Ghiassi, Ali (MOF)
Subject: Re: Hydro - $25B interest

Good to go.

Original Message
From: Nekolaichuk, Colin (ENERGY)
Sent: Sunday, March 5, 2017 6:41 PM
To: Jackson, Kelly (MOF); Killorn, Bill (OPO); Forgione, Andrew (OPO); Berry, James (ENERGY); Teliszewsky, Andrew (ENERGY); Beaudry, Jennifer (OPO); @OPO-Media Relations and Issues Management
Cc: Jancik, Mike (TBS); Tedesco, Lauren (TBS); Martin, Jessica (MOF); Moore, Brynne (MOF);

Ghiassi, Ali (MOF)
Subject: Re: Hydro - $25B interest

Ready to share this with Allison along with the DBRS release, if we're all happy with the final product?

Colin Nekolaichuk | Press Secretary
Office of the Hon. Glenn Thibeault | Minister of Energy
T: 416-325-2690 C: 647-504-4928
colin.nekolaichuk@ontario.ca

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Jackson, Kelly (MOF)
Sent: Sunday, March 5, 2017 6:36 PM
To: Killorn, Bill (OPO); Forgione, Andrew (OPO); Berry, James (ENERGY); Teliszewsky, Andrew (ENERGY); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
Cc: Jancik, Mike (TBS); Tedesco, Lauren (TBS); Martin, Jessica (MOF); Moore, Brynne (MOF); Ghiassi, Ali (MOF)
Subject: RE: Hydro - $25B interest

Hi,

We are good with this...FAO was not briefed to our knowledge.

We've added some borrowing capacity/debt language below (p.5) - feel free to shorten if it's too in the weeds.

Best,
Kelly

The last decade has seen massive investments in improving our electricity system, but the costs were unfairly placed on one generation. We needed to make this fairer.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding this support to certain vulnerable groups.

We're also sharing the cost of these investments with future ratepayers who will continue to benefit from the significant investments made to build a clean and reliable electricity system. This element - the GA refinancing - will not impact the fiscal plan.

The GA refinancing will, however, add new borrowing costs. Year by year the impact will vary based on interest rates and other factors, but based on our conservative estimates taking a 5 per cent interest rate into consideration, we see that number amounting to approximately $25 billion over 30 years.

Ontario has diverse, broad based sources of revenues and as such, has a strong borrowing capacity. We have managed debt responsibly. In fact, this year will be our smallest borrowing program since the recession and is $2.6 billion less than our 2016 Budget forecast. We have also consistently beaten our interest on debt targets. Just last month in our Q3 financial update, we reported that our interest on debt is $381 million less than originally forecast in the 2016 Budget. As we've said, the final amount will depend on annual interest rates and expenditures, which will be disclosed yearly, but given the province's strong borrowing ability we're confident it will be in this range.

The independent financial analysis that the FAO provides is important as we build on our plan to grow the economy and create jobs. That's why we expanded the FAO's ability to access financial, economic or other information previously protected by freedom of information laws. We will continue working with the FAO as we bring real relief and fairer hydro bills to Ontario families, as part of our Fair Hydro Plan.

For your reference, please see a release attached, DBRS issued on Friday with respect to our plan for GA refinancing, including a portion of the release pasted below:

“DBRS Limited (DBRS) has today commented on the Province of Ontario’s (Ontario or the Province; rated AA (low) with a Stable trend by DBRS) plan to reduce residential electricity prices by 25%, as announced on March 2, 2017. DBRS views the proposed changes as credit neutral. The Province has the ability to absorb the fiscal impact of the proposed policy changes, while still restoring budgetary balance in 2017–2018. The Province has also indicated that it will seek to recover the debt and financing costs associated with reducing the Global Adjustment (GA) through future electricity rates.”

-----Original Message-----
From: Killorn, Bill (OPO)
Sent: March-05-17 6:33 PM
To: Forgione, Andrew (OPO); Berry, James (ENERGY); Teliszewsky, Andrew (ENERGY); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
Cc: Jancik, Mike (TBS); Tedesco, Lauren (TBS); Jackson, Kelly (MOF)
Subject: Re: Hydro - $25B interest

TBS and MOF are you good with the below. Would like to get this to CP soon.

Can MOF or Energy confirm whether the FAO was briefed?

Original Message
From: Forgione, Andrew (OPO)
Sent: Sunday, March 5, 2017 5:48 PM
To: Berry, James (ENERGY); Killorn, Bill (OPO); Teliszewsky, Andrew (ENERGY); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
Cc: Jancik, Mike (TBS); Tedesco, Lauren (TBS); Jackson, Kelly (MOF)
Subject: Re: Hydro - $25B interest

Folks here want mof and TBS to see response too before going - I've added them

A. Forgione
(647)-205-3475
Original Message
From: Berry, James (ENERGY)
Sent: Sunday, March 5, 2017 5:38 PM
To: Forgione, Andrew (OPO); Killorn, Bill (OPO); Teliszewsky, Andrew (ENERGY); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
Subject: Re: Hydro - $25B interest

FAO addition included below. Atel, did we brief/consult with FAO?

The last decade has seen massive investments in improving our electricity system, but the costs were unfairly placed on one generation. We needed to make this fairer.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding this support to certain vulnerable groups.

We're also sharing the cost of these investments with future ratepayers who will continue to benefit from the significant investments made to build a clean and reliable electricity system. This element - the GA refinancing - will not impact the fiscal plan.

The GA refinancing will, however, add new borrowing costs. Year by year the impact will vary based on interest rates and other factors, but based on our conservative estimates taking a 5 per cent interest rate into consideration, we see that number amounting to approximately $25 billion over 30 years. As we've said, this final number will depend on annual interest rates and expenditures, which will be disclosed yearly, but given the province's strong borrowing ability we're confident it will be in this range.

The independent financial analysis that the FAO provides is important as we build on our plan to grow the economy and create jobs. That's why we expanded the FAO's ability to access financial, economic or other information previously protected by freedom of information laws. We will continue working with the FAO as we bring real relief and fairer hydro bills to Ontario families, as part of our Fair Hydro Plan.

For your reference, please see a release attached, DBRS issued on Friday with respect to our plan for GA refinancing, including a portion of the release pasted below:

“DBRS Limited (DBRS) has today commented on the Province of Ontario’s (Ontario or the Province; rated AA (low) with a Stable trend by DBRS) plan to reduce residential electricity prices by 25%, as announced on March 2, 2017. DBRS views the proposed changes as credit neutral. The Province has the ability to absorb the fiscal impact of the proposed policy changes, while still restoring budgetary balance in 2017–2018. The Province has also indicated that it will seek to recover the debt and financing costs associated with reducing the Global Adjustment (GA) through future electricity rates.”

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Forgione, Andrew (OPO)
Sent: Sunday, March 5, 2017 5:30 PM
To: Killorn, Bill (OPO); Berry, James (ENERGY); Teliszewsky, Andrew (ENERGY); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
Subject: Re: Hydro - $25B interest

Here you go James:

The independent financial analysis that the FAO provides is important as we build on our plan to grow the economy and create jobs. That's why we expanded the FAO's ability to access financial, economic or other information previously protected by freedom of information laws. We will continue working with the FAO as we bring real relief and fairer hydro bills to Ontario families, as part of our Fair Hydro Plan.

A. Forgione
(647)-205-3475
Original Message
From: Killorn, Bill (OPO)
Sent: Sunday, March 5, 2017 5:18 PM
To: Berry, James (ENERGY); Teliszewsky, Andrew (ENERGY); Forgione, Andrew (OPO); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
Subject: Re: Hydro - $25B interest

This looks great. Two quick comments:

1) was the FAO briefed last week on our plan/numbers? If so let's reference that.

2) can we include the change we made through OIC that allows the FAO to get more info. Forgione can you add that in?

Original Message
From: Berry, James (ENERGY)
Sent: Sunday, March 5, 2017 5:12 PM
To: Killorn, Bill (OPO); Teliszewsky, Andrew (ENERGY); Forgione, Andrew (OPO); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
Subject: Re: Hydro - $25B interest

A few edits, adding Atel's feedback and Forgie's suggested language about working with FAO. Just waiting on language from FIN.

The last decade has seen massive investments in improving our electricity system, but the costs were unfairly placed on one generation. We needed to make this fairer.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding this support to certain vulnerable groups.

We're also sharing the cost of these investments with future ratepayers who will continue to benefit from the significant investments made to build a clean and reliable electricity system. This element - the GA refinancing - will not impact the fiscal plan.

The GA refinancing will, however, add new borrowing costs. Year by year the impact will vary based on interest rates and other factors, but based on our conservative estimates taking a 5 per cent interest rate into consideration, we see that number amounting to approximately $25 billion over 30 years. As we've said, this final number will depend on annual interest rates and expenditures, which will be disclosed yearly, but given the province's strong borrowing ability we're confident it will be in this range.

We'll work with the FAO as we bring real relief and fairer hydro bills to Ontario families, as part of our Fair Hydro Plan.

For your reference, please see a release DBRS issued on Friday with respect to the plan for GA refinancing, including the section pasted below:

"DBRS Limited (DBRS) has today commented on the Province of Ontario's (Ontario or the Province; rated AA (low) with a Stable trend by DBRS) plan to reduce residential electricity prices by 25%, as announced on March 2, 2017. DBRS views the proposed changes as credit neutral. The Province has the ability to absorb the fiscal impact of the proposed policy changes, while still restoring budgetary balance in 2017–2018. The Province has also indicated that it will seek to recover the debt and financing costs associated with reducing the Global Adjustment (GA) through future electricity rates."

Original Message
From: Killorn, Bill (OPO)
Sent: Sunday, March 5, 2017 4:42 PM
To: Teliszewsky, Andrew (ENERGY); Forgione, Andrew (OPO); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); Berry, James (ENERGY); @OPO-Media Relations and Issues Management
Subject: Re: Hydro - $25B interest

Giving Allison the DBRS memo is a great idea.

Let's make sure that she sees that.

Original Message
From: Teliszewsky, Andrew (ENERGY)
Sent: Sunday, March 5, 2017 4:40 PM
To: Forgione, Andrew (OPO); Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); Berry, James (ENERGY); @OPO-Media Relations and Issues Management
Subject: RE: Hydro - $25B interest

Hi.

Below you have my "just the facts" clinical answer. But perhaps you might want to drive CP to the DBRS memo (enclosed) that was issued on Friday as well?

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The refinancing of the Global Adjustment (GA) is proposed to be implemented by the summer of 2017. The proposal would hold bill increases in line with inflation for four years for Regulated Price Plan (RPP)-eligible consumers.

Accumulated debt would be paid off over a 30-year period. Our model assumes this 30 year financing period and a nominal interest rate of 5% (compounded monthly).

-----Original Message-----
From: Forgione, Andrew (OPO)
Sent: March-05-17 4:34 PM
To: Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY); Berry, James (ENERGY); @OPO-

Media Relations and Issues Management
Cc: Teliszewsky, Andrew (ENERGY)
Subject: Re: Hydro - $25B interest

Thx James. Adding Atel too. Energy would need to triple check the below before sending but here's a narrative that I think could work as a start. I think we should also engage finance for helpful borrowing messaging (securing good rates, etc). "The last decade has seen massive investments in improving our energy system, but the costs were unfairly placed on one generation. We needed to make this fairer.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding this support to certain vulnerable groups.

And part of that means sharing some of the costs of these investments with the future ratepayers who will continue to benefit from them. This element - the GA refinancing - will not impact the fiscal plan.

The GA refinancing will, however, add new borrowing costs. Year by year the impact will vary based on interest rates and other factors, but based on our conservative estimates taking a 5% interest rate into consideration, we see that number amounting to approximately $25 billion over 25 years. As we've said, this final number will depend on annual interest rates and expenditures, which will be disclosed yearly, but given the province's strong borrowing ability we're confident it will be in this range. A. Forgione
(647)-205-3475

Original Message
From: Beaudry, Jennifer (OPO)
Sent: Sunday, March 5, 2017 4:17 PM
To: Nekolaichuk, Colin (ENERGY); Berry, James (ENERGY); @OPO-Media Relations and Issues Management
Subject: Fw: Hydro - $25B interest

Hey there - Please see the request below from Allison. Hoping Energy folks can respond asap so our voice is in the story.

Thanks,
Jenn

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Jones, Allison <Allison.Jones@thecanadianpress.com>
Sent: Sunday, March 5, 2017 4:09 PM
To: Beaudry, Jennifer (OPO); Nekolaichuk, Colin (ENERGY)
Subject: Hydro - $25B interest

Hi,
Sending some work your way on Sunday afternoon...
The Tories are sending a letter to the FAO tonight asking him to look into the costing behind the hydro bill announcement. They say it's not clear how the $25B figure cited by the premier and Thibeault was arrived at. I'm looking to put together a story tonight to send at 4am. Are you able to explain how the $25B was calculated?