Equity Financing

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Andrew,

IGS would like to send the below email to TBS / MoF, proposing the following regarding equity injections.

1) Energy accepts that these new OPG shares will be recorded on its balance sheet;
2) Energy to seek an appropriation for 2017-18 of $1.1B to purchase these shares (a fiscally neutral transaction); and
3) That amount includes two buffers relative to what we anticipate actually needing.
A) The amount will likely be reduced by the few months where OEB has only accepts 50% of the reduction; and
B) the amount will be further reduced by the small portion (5%) that OPG plans to fund from the market.

Very rough back of the napkin calculation suggests this is up to a ~$200M buffer.

Please confirm comfort with this approach.

Keley

Energy has agreed to record these additional purchases of OPG shares on its financials.

In terms of the appropriation for 2017-18, I would proposes seeking the following (subject to input from others):

The total debt forecast for the year starting May 1 2017 ending April 30 2018 is $2.5B including interest. Taking one month off that to align with the province's fiscal year gives $2.3B. 49% which is anticipated to be financed via equity injections gives a requirement of approximately $1.1B.

OEB has only allocated 50% of the benefit until the legislation passes, which will reduce the requirement for the next few months. However, given that we don't know with certainty how the OEB will reassess RPP, I'd propose to leave the equity amount at $1.1B and let it be our buffer.

OPG also plans to borrow a small percentage of the 49% requirement from the market. This amount has not yet been finalized, but could represent up to 5% of the total financing requirement. Given this uncertainty, I would suggest we maintain the request for $1.1B and use this as a further buffer.