FW: FHP Trust Offering

From: "Schlaepfer, Martin (ENERGY)" <martin.schlaepfer@ontario.ca>
To: "Imbrogno, Serge (ENERGY)" <serge.imbrogno@ontario.ca>
Date: Thu, 08 Feb 2018 11:12:26 -0500
Attachments: Interest rate QA (2) (2).docx (15.23 kB)

Hi Deputy,

John and Steen propose that we share the attached QA with TBS for inclusion in our materials for preparation at the Public Accounts Standing Committee. They would like to do so in advance of the meeting with the SOC tomorrow.

Ok to share with TBS?

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: February 7, 2018 5:31 PM
To: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>
Subject: RE: FHP Trust Offering

Hi Deputy,

Attached is the revised QA from ESP and below in an updated response.

Note that GA modelling in the March 1, 2017 Cabinet Submission assumed an interest rate at 5% (consistent with the FAA letter). It was when we started to work with Navigant that we revised it to 4.5%.

Thanks,
Martin

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.

From: Schlaepfer, Martin (ENERGY)
Sent: February 7, 2018 4:52 PM
To: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>
Subject: RE: FHP Trust Offering

Yes, correct. But the statement below is referring to the Fair Allocation Amount that was sent in the Minister’s letter to OPG.

Steen’s revising the QA to be more clear about that. I will send along momentarily.

From: Imbrogno, Serge (ENERGY)
Sent: February 7, 2018 4:37 PM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Subject: RE: FHP Trust Offering

Hi I thought we lowered it to 4.5?

Sent with BlackBerry Work
(www.blackberry.com)

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Date: Wednesday, Feb 07, 2018, 4:29 PM
To: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>
Subject: RE: FHP Trust Offering

Hi Deputy,

Below is a suggested response and attached is the QA that ESP pulled together.

Let me know if you think this works or would like it revised.

Thanks,
Martin

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 included a 5.0% average interest rate over the life of the GA refinancing program (i.e., 30 years).

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.

From: Imbrogno, Serge (ENERGY)
Sent: February 7, 2018 7:07 AM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Subject: FW: FHP Trust Offering

Hi. Can you get ESP to confirm the modelling assumption. Thanks

Sent with BlackBerry Work
(www.blackberry.com)

From: Orsini, Steve (CAB) <Steve.Orsini@ontario.ca>
Date: Tuesday, Feb 06, 2018, 10:29 PM
To: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>, Davidson, Steven (CAB) <Steven.Davidson@ontario.ca>
Cc: Kwamena, Boafoa (CAB) <Boafoa.Kwamena@ontario.ca>
Subject: RE: FHP Trust Offering

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.