Ministry of Economic Development & Growth
Ministry of Energy
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Ministère du Développement économique et de la Croissance
Ministère de l'Énergie
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April 25, 2017

MEMORANDUM TO: Karen Hughes
Associate Deputy Minister, Treasury Board Secretariat

FROM: Robert Burns
Chief Administrative Officer & Assistant Deputy Minister

SUBJECT: Operating Asset Request to Facilitate Equity Injections to the Ontario Power Generation

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On March 2, 2017, the Province introduced Ontario's Fair Hydro Plan that aims to reduce electricity bills by 25% on average for households across Ontario. The Plan includes a proposal to refinance a portion of the Global Adjustment (GA) in order to fairly allocate costs across present and future generations of electricity consumers.

Refinancing a portion of GA provides significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers.

Ontario Power Generation (OPG) would provide the financing for the proposal. In order to keep its capital structure in line, OPG would require equity injections on an on-going basis from the Province (Ministry of Energy). In order to facilitate this, it is necessary that appropriate funding is in place.

The Ministry of Energy has forecasted it would require an Operating Asset of $1.1 billion for the 2017-18 fiscal year. The total debt requirement is forecasted to be about $2.5 billion including interest from May 1, 2017 to April 30, 2018. After accounting for the Province's March 31 year-end, this represents about $2.3 billion debt requirement in 2017-18. It is anticipated that up to 49% of this would be financed through the Province's equity injections – resulting in an equity injection requirement of approximately $1.1 billion for this fiscal year.

Including the Operating Asset on the Ministry of Energy's 2017-18 Expenditure Estimates rather than returning as an in-year submission to request creation of an operating asset line, would allow the Province to make timely equity injections into OPG.

The Minister and the Deputy Minister of Energy are supportive of this request.

Please don't hesitate to contact me if you have any questions regarding this request.

Sincerely,

Robert Burns
Chief Administrative Officer &
Assistant Deputy Minister

c. Serge Imbrogno, Deputy Minister, Ministry of Energy
Scott Nelms, Assistant Deputy Minister, Ministry of Finance