6. OPG Lending Option

- Seek to reduce OPG's borrowing costs and pass on savings to ratepayers by:
  - Reducing or removing the spread that OEFC applies to OPG for its corporate debt (reducing OPG's borrowing cost to as low as the Province's cost of funds); or
  - Allow OPG to borrow from public debt markets.
- Assuming OPG can move from its average cost of borrowing from OEFC (4.91%) to its average cost of project financing (4.29%) it could save up to $20 million in interest costs annually, once fully implemented across its $3.3 billion OEFC debt portfolio:
  - However, implementation could take several years as it would depend on OPG's refinancing and new borrowing requirements.
- OPG could apply to the OEB as part of its current rate application to flow this benefit to ratepayers.

Considerations

- Further work is required to determine potential savings from this initiative.
- Between now and 2021, OPG projects that $2.5 billion of its $3.3 billion OEFC debt portfolio will mature, and an additional ~$1billion in additional financing will be required to fund projects including Darlington.
- OPG could also seek to refinance debt at longer maturities either through the OEFC or public debt markets in order to take advantage of current, favourable interest rate environment:
  - OPG's average term to maturity for OEFC debt is 5.7 years, as compared to 22.2 years for privately financed projectdebt;
  - Longer terms would better match to the life of OPG's assets; and
  - Recently, OEFC has allowed OPG to apply for 50% of its financing requirements in the form of longer term (25-30 year debt). Moving closer to 100% would accelerate this transition.