Re: Equity Financing

From: "Imbrogno, Serge (ENERGY)" <"/o=govon/ou=ontario public sector - iserv ems/cn=recipients/cn=imbrognose">
To: "Katona, Keley (ENERGY)" <keley.katona@ontario.ca>
Date: Sun, 23 Apr 2017 19:48:23 -0400

Looks good. Thanks

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Katona, Keley (ENERGY)
Sent: Sunday, April 23, 2017 7:42 PM
To: Imbrogno, Serge (ENERGY)
Subject: Fw: Equity Financing

Deputy,
Scott would like to send the below email with 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.

If you are ok with this, I can share with MO. There is also a long email chain below if you're interested in details.

Keley

Hi,

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.

Thanks,
Scott

Sent with BlackBerry Work (www.blackberry.com)

From: Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Date: Saturday, Apr 22, 2017, 10:47 AM
To: Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>, Graham, Helen (TBS) <Helen.Graham@ontario.ca>
Cc: Fung, Felix (TBS) <Felix.Fung@ontario.ca>, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>, Montgomery, Kaitlin (MOF) <Kaitlin.Montgomery@ontario.ca>, Kim, John (OFA) <John.Kim@ofina.on.ca>, Psinas, John (TBS) <John.Psinas@ontario.ca>, Hosick, Sarah (TBS) <Sarah.Hosick@ontario.ca>, Strang, James (TBS) <James.Strang@ontario.ca>, Luk, Sandy (TBS) <Sandy.Luk@ontario.ca>, Komal, Indira (TBS) <Indira.Komal@ontario.ca>, Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Subject: Re: Equity Financing

Agreed. OPG Trust has not yet been created.

The operating asset appropriation will be for the Ministry that owns the new shares in OPG.   Scott Nelms - assuming that will Energy. Can you confirm.

The amount needs to be based on 50% of the expected deferral for the 2017-18 year. IESO may need to weigh in on that.

Cindy

Sent from my BlackBerry 10 smartphone on the Rogers network.
  Original Message
From: Ken Kandeepan
Sent: Saturday, April 22, 2017 10:08 AM
To: Graham, Helen (TBS)
Cc: Fung, Felix (TBS); Nelms, Scott (MOF); Montgomery, Kaitlin (MOF); Kim, John (OFA); Psinas, John (TBS); Hosick, Sarah (TBS); Strang, James (TBS); Luk, Sandy (TBS); Komal, Indira (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS)
Subject: Re: Equity Financing

Hi Helen

I suspect you are referring to the Affordability Trust that has already been set up by the Province but has nothing to to do with the OPG Trust that I mention in my email.

You may want to touch base with Cindy for a few minutes next week and she should be able to clarify the differences between these two trusts for you.

Thanks

Ken k

> On Apr 22, 2017, at 8:18 AM, Graham, Helen (TBS) <Helen.Graham@ontario.ca> wrote:
>
> Ken, we had understood 1.2 is possibly a go-forward number, but the correct amount for 17-18 should be prorated, as there will not be 12 months of activity. Is that correct?
>
> I thought the trust actually has already been created, but I could be wrong about that.
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ken Kandeepan
> Sent: Saturday, April 22, 2017 12:08 AM
> To: Fung, Felix (TBS); Nelms, Scott (MOF); Montgomery, Kaitlin (MOF); Kim, John (OFA); Psinas, John (TBS)
> Cc: Graham, Helen (TBS); Hosick, Sarah (TBS); Strang, James (TBS); Luk, Sandy (TBS); Komal, Indira (TBS); Veinot, Cindy (TBS)
> Subject: RE: Equity Financing
>
>
> Hi All
>
> There seems to be considerable confusion on this issue and hopefully I can clear that up with this email.
>
>
> · The Trust has nothing to do with the Province, it will be created by OPG and will be consolidated with OPG, not with the Province and is essentially not an issue with regard to the estimates process.
>
> · The objective of this estimates exercise is to allow the Province, or more specifically the Ministry of Energy to invest a certain amount of funds in OPG. In other words the Province's equity investment in OPG will increase.
>
> · The Province provides cash to OPG, reducing its cash assets and its Investment in OPG, an asset account will increase, in effect one asset is exchanged for another.
>
> · As such an operating asset needs to be set up hopefully in Energy's estimates that allows the

Province to make the payment to OPG.
>
> · The amount will be around $1.2 billion, however, Scott should able to provide a more precise number.
>
>
> Thanks and I am available for a discussion tomorrow, if anyone wishes further clarification, pls call me on my cell at 647-202-4373.
>
> Ken K
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>
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>
> From: Fung, Felix (TBS) [mailto:Felix.Fung@ontario.ca]
> Sent: Friday, April 21, 2017 8:30 PM
> To: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; Montgomery, Kaitlin (MOF) <Kaitlin.Montgomery@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Psinas, John (TBS) <John.Psinas@ontario.ca>
> Cc: Helen Graham (MOF) <Helen.Graham@ontario.ca>; Hosick, Sarah (TBS) <Sarah.Hosick@ontario.ca>; James Strang (MOF) <James.Strang@ontario.ca>; Sandy Luk (MOHLTC) <Sandy.Luk@ontario.ca>; Indira Komal (MCSCS) <Indira.Komal@ontario.ca>
> Subject: RE: Equity Financing
>
> Sorry, 1 more question on this that I hope MOF/ENE and the OFA can help me answer. Scott/Katilin, your finance corporate shop may be able to help with this question too.
>
> I believe the Trust will be held by OPG. Since this is case, then it wouldn't be an operating asset that we need to show in the Estimates (as the Estimates generally don't show assets of consolidated entities). Instead, we would need to show a payment from MOF or Energy to the trust, and then a reversing adjustment below the line (but all of this would be in expense, not assets)?. In other words, how does MOF/ENE propose this to be shown in Printed Estimates?
>
> Thanks - happy to chat further.
>
> Felix
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> From: Fung, Felix (TBS)
> Sent: April-21-17 8:17 PM
> To: Nelms, Scott (MOF); Montgomery, Kaitlin (MOF); Kandeepan, Ken (OFA); Kim, John (OFA); Psinas, John (TBS)
> Cc: Graham, Helen (TBS); Hosick, Sarah (TBS); Strang, James (TBS); Luk, Sandy (TBS); Komal, Indira (TBS)
> Subject: RE: Equity Financing
>
> Hi everyone, further to James' email below, in order to have the possibility of including the operating asset in Printed Estimates (which is our preferred/recommended option), we need the following

information from Energy/MOF by Monday:
>
> 1) the exact value of the operating asset that is required (note our comments below regarding any buffers that are to be added)
> 2) confirmation of the location of where this operating asset will show up (Ministry, admin data info)
> 3) a business case rationale explaining the purpose and why this is needed
>
> As per our conversation, we are currently in the midst of preparing for Printed Estimates - as such, we have an extremely short runway for this item to be included (we have until possibly Tuesday).
>
> Once we have the necessary information from you, we will then need to send it up to senior officials here, and also ensure that DMs of both Finance and Energy have an opportunity to review/sign off.
>
> Thanks - happy to chat further should you have any questions.
>
> Felix
>
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> From: Strang, James (TBS)
> Sent: April-20-17 4:36 PM
> To: Kandeepan, Ken (OFA); Kim, John (OFA); Psinas, John (TBS); Nelms, Scott (MOF); Montgomery, Kaitlin (MOF)
> Cc: Graham, Helen (TBS); Fung, Felix (TBS); Hosick, Sarah (TBS)
> Subject: FW: Equity Financing
>
> Hi, I've highlighted on page one of the attached note what I was referring during the teleconference around financing the trust (51%, 49%).
>
> Any buffer being added to the 49% needs to be explicitly identified in the Treasury Board submission – it is a decision point for TB to include a buffer. To what degree does the $2.5B have a buffer based on the level of precision in the estimate should also be covered.
>
> The TB submission needs to specify the rationale for the ask (explicitly identifying any buffer amounts being added), and the requested minute.
>
> James
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> From: Fung, Felix (TBS)
> Sent: April 11, 2017 1:43 PM
> To: Veinot, Cindy (TBS)
> Cc: Hosick, Sarah (TBS); Graham, Helen (TBS); Strang, James (TBS)
> Subject: FW: Equity Financing - Working Group Note
>
> FYI
>
> From: Strang, James (TBS)
> Sent: April-11-17 11:58 AM

> To: Graham, Helen (TBS)
> Cc: Fung, Felix (TBS)
> Subject: FW: Equity Financing - Working Group Note
>
> The OFA note we received.
>
> From: Fung, Felix (TBS)
> Sent: April 4, 2017 10:47 AM
> To: Strang, James (TBS)
> Subject: FW: Equity Financing - Working Group Note
>
>
>
> From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
> Sent: April-04-17 10:45 AM
> To: Fung, Felix (TBS)
> Cc: Bruno Amara; Adam Prokop
> Subject: FW: Equity Financing - Working Group Note
>
> Hi Felix,
>
> Forwarding this to you as well. Please see attached.
>
> Regards,
> Salman
>
>
> From: Adam Prokop
> Sent: Tuesday, April 04, 2017 10:38 AM
> To: Bruno Amara <Bruno.Amara@ofina.on.ca<mailto:Bruno.Amara@ofina.on.ca>>; Salman Qadir <Salman.Qadir@ofina.on.ca<mailto:Salman.Qadir@ofina.on.ca>>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca<mailto:Shajee.Kathirgamanathan@ofina.on.ca>>; Carlos Yep <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; John Kim <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>; John Psinas <John.Psinas@ofina.on.ca<mailto:John.Psinas@ofina.on.ca>>; 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca<mailto:Kaitlin.Montgomery@ontario.ca>>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca<mailto:Tobias.Whitfield@ontario.ca>>
> Subject: Equity Financing - Working Group Note
>
> Greetings,
>
> Please review the attached equity injection note for internal review only. Please keep this within the Ministry/OFA for now.
>
> Kind regards,
>
> Adam Prokop

> Economic Specialist
> Office: 416-315-6462
> adam.prokop@ofina.on.ca<mailto:adam.prokop@ofina.on.ca>
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> ________________________________
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