Re: Fair Hydro Update

From: "Hindmarch-Watson, Tim (CAB)" <tim.hindmarch-watson2@ontario.ca>
To: "Schlaepfer, Martin (ENERGY)" <martin.schlaepfer@ontario.ca>
Cc: "Moore, Karen (CAB)" <karen.moore4@ontario.ca>, "Armstrong, Hillary (ENERGY)" <hillary.armstrong@ontario.ca>
Date: Thu, 26 Apr 2018 20:27:50 -0400

Thanks, Martin.

Sent from my mobile.

From: Schlaepfer, Martin (ENERGY)
Sent: Thursday, April 26, 2018 4:21 PM
To: Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB); Armstrong, Hillary (ENERGY)
Subject: RE: Fair Hydro Update

Hi Tim,

Below is an update on the result of the second tranche of OPG Trust financing:

- On April 24, 2018, the Fair Hydro Trust (FHT) closed its second issuance of long-term debt in the capital markets. The issuance included $400 million of senior notes with an interest rate of 3.52 per cent.

  According to Ontario Power Generation (OPG), this rate is 32 basis points over the provincial borrowing rate, and 13 basis points below Ontario utilities.

- As a result of the first and second issuances, a total of $900 million of senior notes has been issued by the FHT to date.

- Under OPG's Financing Plan, the debt incurred by the FHT is split into senior (51 per cent), subordinated (39 per cent), and junior subordinated (10 per cent) debt.

  Accordingly, the FHT also issued $306 million of subordinated debt at a rate of 3.83 per cent and $78 million of junior subordinated debt at a rate of 4.21 percent.

  The weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated) is 3.71 per cent, compared to a weighted average of 3.53 per cent for the first issuance.

- As a result of the first and second issuances, a total of $1.77 billion of long-term debt has been issued, with a weighted average interest rate of 3.61 per cent.

- In accordance with the Financing Plan, the FHT will continue to incur short-term debt on a regular basis to fund purchases of the investment asset from the Independent Electricity System Operator (IESO), which will then be periodically refinanced through the issuance of long-term debt.

From: Hindmarch-Watson, Tim (CAB)
Sent: April 26, 2018 11:59 AM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>

Cc: Moore, Karen (CAB) <Karen.Moore4@ontario.ca>; Armstrong, Hillary (ENERGY) <Hillary.Armstrong@ontario.ca>
Subject: RE: Fair Hydro Update

Hi Martin:

Would you be able to provide a similar update from the most recent debt issuance?

Thanks,

Tim Hindmarch-Watson
416-325-4618

From: Schlaepfer, Martin (ENERGY)
Sent: February-23-18 6:39 PM
To: Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB); Armstrong, Hillary (ENERGY)
Subject: RE: Fair Hydro Update

Hi Tim,

Below is an update on the result of the OPG Trust financing that occurred on Feb 6th for the OFHP:

- OPG has informed us that senior debt pricing was confirmed at 3.357% and they financed $500m.
  - This is 92 bps over GOC, so it is still the lowest cost.
  - The OFA has also confirmed that the issue was 23 bps over the Ontario curve.
- OPG advised that the remainder of the debt is split between $382 million of "subordinated" debt at an interest rate of 3.637% and $98 million of "junior subordinated" debt at 3.957%.
- The effective interest rate of 3.526% is the weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated).
- A further debt offering will occur in the near future (likely April).

Thanks,
Martin

From: Hindmarch-Watson, Tim (CAB)
Sent: February 23, 2018 2:10 PM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Cc: Moore, Karen (CAB) <Karen.Moore4@ontario.ca>; Armstrong, Hillary (ENERGY) <Hillary.Armstrong@ontario.ca>
Subject: RE: Fair Hydro Update

Hi Martin:

Are you able to provide an update on where things stand on this now?

Thanks

Tim Hindmarch-Watson
416-325-4618

From: Schlaepfer, Martin (ENERGY)
Sent: February-02-18 1:06 PM
To: Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB); Armstrong, Hillary (ENERGY)
Subject: RE: Fair Hydro Update

Hi Tim,

Below is a summary update.

Thanks,
Martin

Summary Update

- Ontario Power Generation (OPG), as Financial Services Manager (FSM) under the Global Adjustment (GA) Refinancing program, is undergoing the first issuance of long-term debt.

- In late January 2018, OPG launched its marketing activities for the issuance, this included a cross-Canada marketing roadshow (i.e., investor meetings in Vancouver, Winnipeg, Toronto and Montreal). The marketing roadshow is concluding the week of January 29th.

- OPG advises that it anticipates that the transaction will be priced on February 6th and close on February 8th. OPG also notes that the rating agencies plan to issue a press release once the transaction has closed. Note: These dates could shift around a bit. OPG will have a better sense after the marketing roadshow concludes this week.

- Discussions are ongoing on the timing of the OPG technical briefing. OPG had initially proposed the briefing for the week of February 12th. If the transaction closes on February 8th, OPG suggests holding the technical briefing on February 8th. Note: OPG has a Board meeting on February 12th.

- OPG is currently preparing materials to support the technical briefing (e.g., briefing deck, key messages, Q&As, fact sheet).

From: Hindmarch-Watson, Tim (CAB)
Sent: February 2, 2018 10:13 AM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Cc: Moore, Karen (CAB) <Karen.Moore4@ontario.ca>; Armstrong, Hillary (ENERGY) <Hillary.Armstrong@ontario.ca>
Subject: RE: Fair Hydro Update

Thanks, Martin. Do you think you will be in a position to share something before 1?

Cheers

Tim Hindmarch-Watson
416-325-4618

From: Schlaepfer, Martin (ENERGY)
Sent: February-01-18 1:31 PM
To: Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB); Armstrong, Hillary (ENERGY)
Subject: RE: Fair Hydro Update

Hi Tim,

We will get back to you with a status update shortly.

Thanks,
Martin

From: Hindmarch-Watson, Tim (CAB)
Sent: February 1, 2018 1:29 PM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Cc: Moore, Karen (CAB) <Karen.Moore4@ontario.ca>
Subject: Fair Hydro Update

Hi Martin:

Are you able to provide us with a brief update on what's happening on Fair Hydro Implementation?

As of the last implementation meeting there were a number of moving parts still with respect to the landing of credit ratings and expected timing of OPG going to market. Jan 29 was one possible date that was floated, but not sure if this has happened or not. Not looking for a big piece, just a few bullets on status.

Thanks for your help

Tim Hindmarch-Watson
Policy Advisor
Justice, Resource and Environmental Policy
Policy and Delivery Division
Cabinet Office
416-325-4618