GA Interest Costs

From: "Moore, Brynne (MOF)" <brynne.moore@ontario.ca>
To: charles.sousa@rogers.com, "Sousa, Charles (MOF)" <charles.sousa@ontario.ca>
Cc: "Jackson, Kelly (MOF)" <kelly.jackson2@ontario.ca>, "Ingram, Kelsey (MOF)" <kelsey.ingram@ontario.ca>, "Martin, Jessica (MOF)" <jessica.martin@ontario.ca>
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Morning Minister,

Just wanted to give you the heads up that you're likely to get some questions this morning about the interest costs associated with the Global Adjustment today. This is included in your housebook, but messaging is also below for your reference.

If you need anything else, let me know.

Thanks,

Brynne

GA Smoothing

Issue: CP is reporting that the PCs are calling on the FAO to determine what the interest costs associated with the GA refinancing will be.
Brown is quoted in the article saying, "to be candid, this government has a habit of deliberately using false numbers to cover up their worst policy failures".

Analysis: It is likely that this will be the PCs angle today in QP.

Messaging:

Cost

- We have been clear about the cost of these changes.
- We are focused on recovering costs in a way that is fair for all generations of Ontarians.
- Part of that means moving the cost of social programs from the rate base to the tax base, and expanding support to certain vulnerable groups.

GA Refinancing

- The GA refinancing will, add new borrowing costs.
- Year by year the impact will vary based on interest rates and other factors, but based on our conservative estimates taking a 5 per cent interest rate into consideration, we see that number amounting to approximately $25 billion over 30 years.
- Ontario has diverse, broad based sources of revenues and as such, has a strong borrowing capacity. We have managed debt responsibly.
- In fact, this year will be our smallest borrowing program since the recession and is $2.6 billion less than our 2016 Budget forecast. We have also consistently beaten our interest on debt targets.
- Just last month in our Q3 financial update, we reported that our interest on debt is $381 million less than originally forecast in the 2016 Budget.
- As we've said, the final amount will depend on annual interest rates and expenditures, which will be disclosed yearly, but given the province's strong borrowing ability we're confident it will be in this range.

- Will be introducing legislation that would, if passed, enable IESP and OPG to work together to refinance GA.
- As part of this, we will be working to ensure that we get the best possible deal for Ontarians.
- That means working with OPG to ensure that the refinancing approach is prudent.