FW: GA smoothing

From: Ronald Kwan <ronald.kwan@ofina.on.ca>
To: "Thompson, Scott (MOF)" <scott.thompson@ontario.ca>, "Mayman, Gadi (OFA)" <gadi.mayman@ofina.on.ca>
Cc: "McLean, David (MOF)" <david.mclean@ontario.ca>
Date: Wed, 15 Feb 2017 15:53:43 -0500

Hi Scott, Gadi,

Some estimates from staff below.

For option one, for example, the total "principal" amount of GA deferred would be about $21.6 Bn, cumulative interest costs over time would be about $30.2 Bn, for total payments of about $51.8 Bn (cumulative debt peaks at about $32.8 Bn).

This is based on the high-level calendar year numbers from Energy. If the initiative actually starts partway in calendar 2017, the amounts would be a little less.

And if interest rates were to change, the table below would change. Staff are running up some sensitivity analysis.

I hope that helps.

Ron

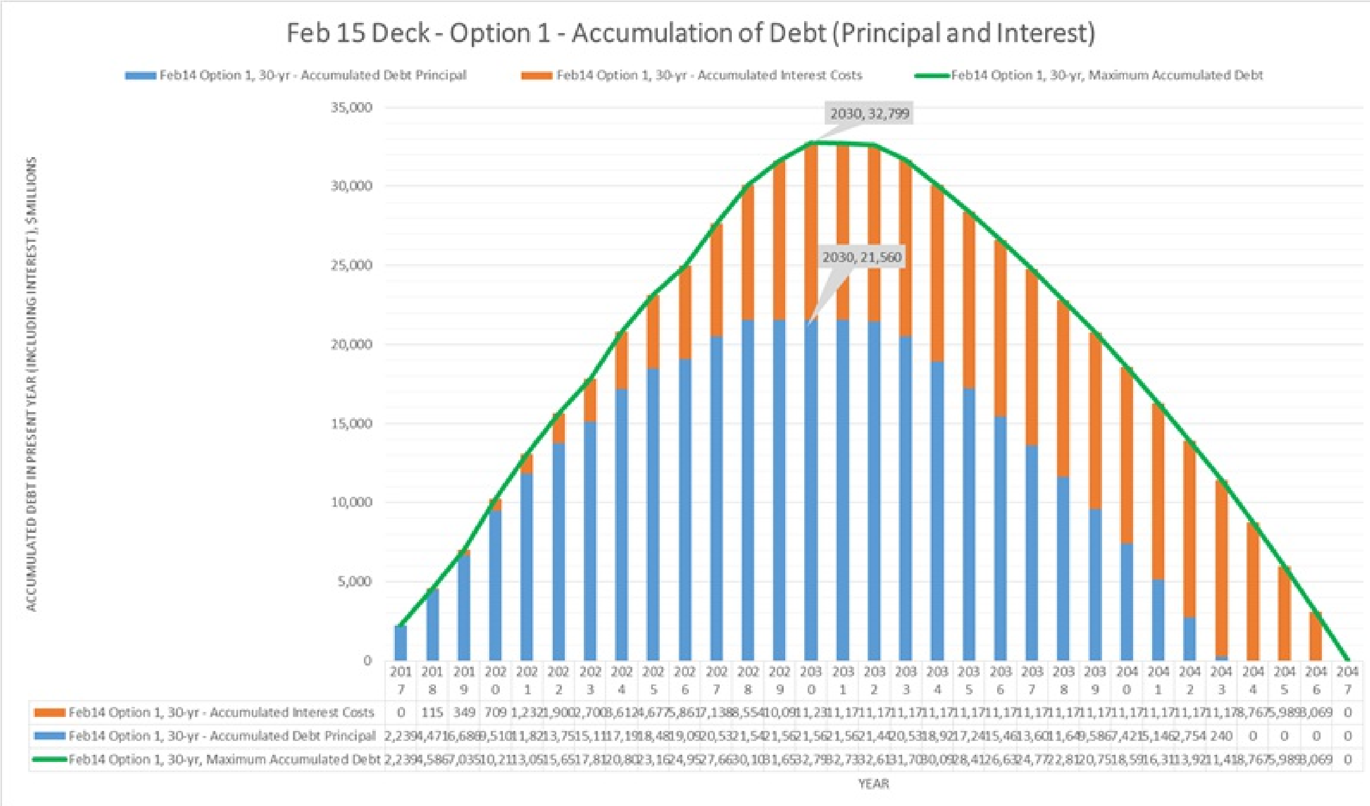
From: Salman Qadir
Sent: Wednesday, February 15, 2017 3:26 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: GA smoothing

Hi Ron,

Energy's numbers included an interest cost. I'm not too sure about the impact of financing through OPG (seems accurate), but here is the table of actual debt borrowed versus the total interest costs for each option. A portal of that $33 billion being referenced below is due to capitalized interest (only $21.5 billion is actual principal debt, the remainder, $11.2 billion is a result of capitalized interest). For the latest options, here is the breakdown:

$ millions	Total Principal Debt	Total Accumulated Interest Costs	**Peak Total Debt**	
Option 1	21,560	30,204	32,799	occurs in Year 2030
Option 2	13,502	17,882	19,534	occurs in Year 2029
Option 3	12,862	19,497	20,325	occurs in Year 2033

Repayments actually start in either 2030 (Option 1 and Option 3) or 2029 (Option 2). So interest will be capitalized until at the very least and only begins to be repaid 100% when the GA is above the True Cost of the GA by more than the annual interest cost.



Regards,
Salman

From: Ronald Kwan
Sent: Wednesday, February 15, 2017 2:06 PM
To: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: Fwd: GA smoothing

Hi,

Some internal confirmation -- the sooner the better.

Thanks,
Ron

Begin forwarded message:

> **From:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Date:** February 15, 2017 at 2:04:24 PM EST
> **To:** "Scott Thompson (CAB)" <Scott.Thompson@ontario.ca>
> **Cc:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>, "David McLean (MOF)" <David.McLean@ontario.ca>
> **Subject: RE: GA smoothing**

> If the accounting treatment holds, that is correct, assuming that we charge no spread to OPG on the money that we lend to them for their trust. Total debt will go up, but net debt won't as we will have an offsetting financial asset. IOD will remain the same, as we'll be receiving and interest payment from OPG to offset our interest cost on the $33 billion that we're borrowing.
>
> As for the ballpark $ figure, as I'd mentioned in my last email, the interest cost is about equivalent, over the life of the option, to the maximum amount of debt outstanding, so about $30 billion in this case. We haven't received the exact model numbers from Energy, but with the 5% assumption, which we think is reasonable, that relationship was pretty

steady across a few option.

-----Original Message-----
From: Thompson, Scott (MOF) [mailto:Scott.Thompson@ontario.ca]
Sent: Wednesday, February 15, 2017 1:58 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; David McLean (MOF) <David.McLean@ontario.ca>
Subject: Re: GA smoothing

And once you have a ballpark $ figure, confirm for me that there's no impact on this on our books, bcs OPG is responsible for those borrowing costs, and will recover these from ratepayers. (assuming accounting works of course)
Thanks

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Thompson, Scott (MOF)
Sent: Wednesday, February 15, 2017 1:38 PM
To: Mayman, Gadi (OFA)
Cc: Kwan, Ronald (OFA); McLean, David (MOF)
Subject: GA smoothing

Did we calculate what the cost of borrowing is for this proposal. Say for Option 1 that creates 33 bn in additional acc debt.
Scott

Sent from my BlackBerry 10 smartphone on the Rogers network.
