RE: Net debt to GDP

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: "Schuurman, Tim (MOF)" <tim.schuurman@ontario.ca>
Date: Wed, 01 Feb 2017 14:54:39 -0500

Hi Scott,

We'll continue to work with TBS and OPCD. And Energy has another meeting on accounting scheduled for tomorrow.

On the asset question, as this is an accounting issue, it's really one Energy must work out in discussions with OPCD (with external accounting advice from KPMG), with OPCD likely best placed to also assess the AG's potential and likely position.

As a few comments, I understood from Cindy that for the new GA entity being contemplated, that an asset could not be claimed by it based on estimated future revenues from future electricity consumers because there is no contract making any particular individuals liable to provide such future revenues. In this construct, for the Province, it would be flat, as lender or not. If the Province borrows and on-lends to the entity, it has the offsetting asset for the Province from the loan payable by the entity. There would be a problem if the entity is consolidated, as it would have the payable to the Province, but no asset, so the Province would be short on consolidation. That's one reason why the GA entity needs to be a non-consolidated entity

At this time, a rate-regulated structure with regulatory assets is not being contemplated, and I believe Cindy has said elsewhere in the past that PSAB does not recognise rate-regulated accounting, and that the AG would very likely not accept trying to use a different accounting standard to support recording a regulatory asset.

LDCs have rate regulated accounting. However, Energy has been concerned about having to deal with the 70'ish LDCs and the OEB and the legislative changes to get them to deal with the GA deferral -- and how the financing of it would work and the constraints then put on LDC balance sheets and ability to finance this as well as their other business requirements.

Ron

-----Original Message-----
From: Thompson, Scott (MOF) [mailto:Scott.Thompson@ontario.ca]
Sent: February-01-17 13:30
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Tim Schuurman (MOF) <Tim.Schuurman@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: Net debt to GDP

Gadi - Thanks to you and team for this quick work. For you and Ron only, we'll need you to keep working with TBS and OPCD. Andrew B is pushing us on why consolidation moves 100% to the fisc bottom line. Ie. Is there not an asset there we can claim?
My assessment of FPC mtg is that the pendulum is now swinging back towards the fisc.
Thanks
Scott

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Gadi Mayman
Sent: Wednesday, February 1, 2017 12:22 PM
To: Thompson, Scott (MOF)
Cc: Kandeepan, Ken (OFA); Schuurman, Tim (MOF); Kwan, Ronald (OFA); Wynberg, Lynsey (OFA)
Subject: Fw: Net debt to GDP

Scott, here's the third year.

From: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Sent: Wednesday, February 1, 2017 12:12 PM
To: Gadi Mayman
Cc: Lynsey Wynberg
Subject: RE: Net debt to GDP

Done Gadi. The ratio over the three years 17-18 to 19-20 is 37.8%, 37.5% and 37.2% assuming option 4 and balance over all three years and using the last version of capital investments from TBS.

If the ratio was maintained at the 16-17 level of 38.3% the flex available is, as stated previously; $4.4B, $3.1B and an additional $3.0 in 19-20 for a total of $10.5B over the three years.

Of course this assumes that TCA remains constant, there is neither increases or spending re-profiles over the 10 year period.

Thanks

Ken k

From: Gadi Mayman
Sent: Wednesday, February 01, 2017 11:37 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lynsey Wynberg <Lynsey.Wynberg@ofina.on.ca>
Subject: Re: Net debt to GDP

Thanks, Ken. We should move on that quickly, because that question is going to come up.

From: Ken Kandeepan
Sent: Wednesday, February 1, 2017 10:56 AM
To: Gadi Mayman
Cc: Lynsey Wynberg
Subject: RE: Net debt to GDP

NP, this also makes me realize that we don't have any projections for 19-20 which is the out year for the upcoming document. For now we will use a balanced budget and whatever TCA projections that we have for that year.

It will at least provide a working number which can be refined as we move through the Budget process.

Thanks

Ken K

From: Gadi Mayman
Sent: Wednesday, February 01, 2017 10:54 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>
Cc: Lynsey Wynberg <Lynsey.Wynberg@ofina.on.ca<mailto:Lynsey.Wynberg@ofina.on.ca>>
Subject: Re: Net debt to GDP

Thanks, Ken.

From: Ken Kandeepan
Sent: Wednesday, February 1, 2017 10:48 AM
To: Gadi Mayman
Cc: Lynsey Wynberg
Subject: RE: Net debt to GDP

Using option 4 as the 16-17 base, 17-18 can increase by a maximum of $4.4 billion and 18-19 by another $3.1 billion for a total of $7.5 billion over the 2 years.

Thanks

Ken K

From: Gadi Mayman
Sent: Wednesday, February 01, 2017 10:32 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>
Cc: Lynsey Wynberg <Lynsey.Wynberg@ofina.on.ca<mailto:Lynsey.Wynberg@ofina.on.ca>>
Subject: Net debt to GDP
Importance: High

At Fiscal Prep we were just asked how much net debt could increase by in each year going forward and still leave the ratio at 38.3%.

I need the answer ASAP.

Gadi
