RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (update requested)

From: Ken Kandeepan <ken.kandeepan@ofina.on.ca>
To: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Cc: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Fri, 03 Mar 2017 16:25:23 -0500

Thanks Nadine. I am also going to circle back with Energy on the debt numbers on page 12 of their Cab Submission since I will be applying 44% to the incremental debt as the province's equity injection and including same in the Financing Table that we present in the Budget.

Also, I have recommended and both Office of the Budget and OEP have accepted that the incremental IOD from the borrowing incurred for the equity injection should be offset by an increase in the NI of OPG to preserve fiscal neutrality.

Hopefully, Energy's numbers and whatever OPG provides next week will match.

Thanks and have a great weekend.

Ken k

-----Original Message-----
From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, March 03, 2017 4:19 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Subject: FW: EXTERNAL - Urgent -- Electricity Rate Mitigation (update requested)

FYI. nadine

-----Original Message-----
From: Petsche, Nadine (TBS)
Sent: March 3, 2017 4:19 PM
To: 'CHENG Alec -FIN & C CTRL'
Cc: MAUTI John -FIN & C CTRL; JORDA Jenny -FIN & C CTRL
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (update requested)

Hi Alec. Thanks for your reply. Agree that the parameters may still change and there is much work already underway. How about if we check back next Wed/Thurs to see if details are sufficiently landed to warrant an update at that time?
Have a good weekend.
Nadine

-----Original Message-----
From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: March 3, 2017 4:08 PM
To: Petsche, Nadine (TBS)
Cc: MAUTI John -FIN & C CTRL; JORDA Jenny -FIN & C CTRL
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (update requested)

We don't have numbers at this point and imagine the number and parameters will change over next while. The design and financing reviews will need to evolve over time.

Can you specify the timing you would need the information and the purpose of such information?

Alec

-----Original Message-----
From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, March 03, 2017 2:22 PM
To: CHENG Alec -FIN & C CTRL
Cc: MAUTI John -FIN & C CTRL
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (update requested)

Hi Alec.
Sorry for the delay in responding. The Cabinet submission details a 25% reduction composed of 8% HST with the balance coming from a combination of GA smoothing, enhancement of cost support programs and limiting rate increases to the level of inflation.

At this point our understanding is that the GA smoothing will be limited to 15% with the balance 2% from the cost support programs and the curtailment of the rate increase.

If this is your understanding as well please use the 15% as the basic parameter. We note that limiting the rate increase to the CPI increases may also result in a deferral that will presumably be funded via debt. If this can be quantified at this point, pls include this in your spreadsheet. If not available, we'll just have to note for now.

Thanks in advance.
Nadine

-----Original Message-----
From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: March 3, 2017 10:02 AM
To: Petsche, Nadine (TBS)
Cc: MAUTI John -FIN & C CTRL
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (update requested)

What are the parameters we are updating to?

-----Original Message-----
From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, March 03, 2017 9:36 AM
To: CHENG Alec -FIN & C CTRL
Cc: MAUTI John -FIN & C CTRL
Subject: FW: EXTERNAL - Urgent -- Electricity Rate Mitigation (update requested)

Hello again:-)
We would like to update our analysis of the fiscal impacts associated with the GA relief program and would appreciate it if you could update your previous spreadsheet to ensure that we are all on the same page. This will help to ensure consistency in assumptions for the Budget process.
Thanks in advance.
Nadine

-----Original Message-----
From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: Saturday, February 25, 2017 12:15 AM
To: Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; MAUTI John -FIN & C CTRL <john.mauti@opg.com>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; LEE John -TREASURY <john.s.lee@opg.com>
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

As requested, we have updated the model for OPG and Trust based on the parameters specified – bills of $100, $105, $95 over the next 3 years as outlined in your illustration. We have to add in the interest portion for reflect the recovery in your example. Also, we wanted to note that the example in your illustration is based on deferral of actual bill (not the GA amount), which is different from our understanding of how the deferral would work. But I trust the illustration is sufficient to illustrate OPG's and the Trust's accounting for your purposes.

As mentioned before, I understand that this is a simplified model, but some additional features could be added at a later date when there is sufficient certainty. For example:

o the financing model would include debt at different rates based on the tranche and the rate implicitly charged to customers would be determined based on the ultimate model and the legislation (may not be the same as the debt financing rate)

o the Trust may have embedded features which may be introduce variability into the Trust.

Alec

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, February 24, 2017 5:02 PM
To: CHENG Alec -FIN & C CTRL; MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

Alec/John,
To help us better understand the interest impact on the Province overall, it would be helpful if you could complete the interest related entries in the original model (attached) for OPG and OPGTrust, for the first couple of years.
Also, we wondered if could share any details on how the billing is anticipated to work (based on discussions you may have had with the Ministry of Energy).
We will monitor our emails for your response.
Thanks in advance.
Nadine

From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: February-24-17 4:06 PM
To: CHENG Alec -FIN & C CTRL; Petsche, Nadine (TBS); MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (feedback requested today)

Sorry, sent this before I attached the table.

Customer Bill

Current Yr

New Yr

0

1

2

3

Other (Non-GA components)

60

60

60

60

GA

100

100

100

100

GA Deferral

-30

-31.5

-33.1

Interest

1.5

3.1

Total Bill

160

130

130

130

From: CHENG Alec -FIN & C CTRL
Sent: Friday, February 24, 2017 4:04 PM
To: 'Petsche, Nadine (TBS)'; MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL – Urgent -- Electricity Rate Mitigation (feedback requested today)

Our comments:

- We cannot verify the IESO entries, but assuming that KPMG is looking at that.

- The current proposal is to have the Trust collect revenue from customers, so the Trust should recognize revenue (which comprise of interest and other recovery amounts) before we start collecting the principal amount from the customers (i.e. before year 5) (see the table below as an illustration)

- I understand that this is a simplified model, but some additional features should be added at a later date when we have more certainty:

o the financing model would include debt at different rates based on the tranche and the rate implicitly charged to customers would be determined based on the ultimate model and the legislation (may not be the same as the debt financing rate)

o the Trust will have embedded features which will introduce other variability into the Trust

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, February 24, 2017 12:28 PM
To: MAUTI John -FIN & C CTRL; CHENG Alec -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: EXTERNAL – Urgent -- Electricity Rate Mitigation (feedback requested today)
Importance: High

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John/Alec,

In advance of next Monday's FPC meeting, we would like to confirm our understanding of the net fiscal impact under the Electricity Rate Mitigation model as currently envisioned. Attached for your review is a model outlining the transactions and impacts as we understand them. The net impact on interest expense to OFA and the Trust appears on lines AS 40 – AS 42.

We would appreciate your comments on the attached as well as any suggestions on how to address the net fiscal impact over the term of the proposal, today if possible.

Regards,
Nadine

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