RE: FHP Issues

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Wed, 05 Jul 2017 16:04:45 -0400

thx

From: Veinot, Cindy (TBS)
Sent: July 5, 2017 4:04 PM
To: Petsche, Nadine (TBS)
Subject: FW: FHP Issues

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 29, 2017 11:55 AM
To: Veinot, Cindy (TBS)
Cc: Hosick, Sarah (TBS); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Kwan, Ronald (OFA); Gavaris, Hresa (OFA); John Psinas; Kim, John (OFA); Strathy, Anna (OFA)
Subject: FHP Issues

Hi Cindy

We had a meeting this week on a number of issues raised by Scott and we felt that it would be useful for Scott, Ron, a couple of our senior Capital markets colleagues and me to meet with you for a quick discussion on the following. If you are amenable, Hresa Gavaris, Gadi's admin specialist has kindly agreed to work with Sarah to set up the meeting next week.

- Provincial Support Agreement – OFA raised the issue of issuing a guarantee to OPG which in turn would guarantee the Trust, instead of a direct provincial guarantee to the latter. Cindy to indicate after discussing with OPG whether this strengthens the accounting treatment and if so, is it worth pursuing.

- Provincial Support Agreement – in the event of an indemnification event, what process does the Province have to recover the 44% equity funding provided to date to OPG and how formally should that process be structured vis a vis the requirements of the accounting treatment.

- OPG's issuance of the sub debt to the Trust – a number of options are available for determining the coupon. As Gadi pointed out, issuance at the upper end benefits OPG while the opposite, benefits the ratepayer in terms of the total debt that has to be repaid. Should the Province assume a role in this determination and if so will that have any impacts on the accounting treatment.

- OPG fees – need to review underlying language to ensure that the performance fees are capped at +-$1 million per annum. OPG is proposing an asset management fee of 10bps on the Assets Under Management (AUM). Assuming the AUM is equal to the debt or the investment asset, 10bps amounts to $25 million per annum in 10 years' time (assume total debt of $25 billion). Is issuance of debt actually asset management and how relevant is this fee to the accounting structure.

- Mechanism for the Trust to earn interest over the first 5 years (before the CEA kicks in)

Thanks

Ken k