RE: OFHP TB Sub - Questions from TBS

From: "Berry, James (ENERGY)" <james.berry5@ontario.ca>
To: "Whittington, Matt (ENERGY)" <matt.whittington@ontario.ca>
Date: Mon, 08 May 2017 20:13:48 -0400

There's some confusion here from my understanding on how this works. The ministry should be working with CO on the advertising spend/approval of the spend. Once approved and spent, the ministry goes to TB to be reimbursed.

From: Whittington, Matt (ENERGY)
Sent: May-08-17 7:46 PM
To: Berry, James (ENERGY)
Subject: FW: OFHP TB Sub - Questions from TBS

From: Schlaepfer, Martin (ENERGY)
Sent: May-08-17 7:46 PM
To: Whittington, Matt (ENERGY); Teliszewsky, Andrew (ENERGY)
Cc: Imbrogno, Serge (ENERGY); Baker, Carys (ENERGY)
Subject: RE: OFHP TB Sub - Questions from TBS

Hi folks,

We received a follow up question from TB on one of our earlier answers. Below is the question and our proposed response (in red font).

Please let us know if you have any questions or concerns.

Thanks,
Martin

Follow-up – What would be the amount for the August/September 2017 transfer - $2.5M or $3.5M?. I don't think it is the latter as 2016-17 has already ended. If so, is the current approval request for $3.5M a retroactive approval, so as to include spend that has already occurred in 2016-17?

You are correct, the amount for August/September 2017 will be up to $2.5 million – pending actual costs for media buy.

As the Fair Hydro Plan advertising campaign began in 2016-17 and continues in 2017-18, and totals $3.5 million (which requires TB/MBC approval), it would need to be a retroactive approval.

From: Whittington, Matt (ENERGY)
Sent: May 8, 2017 3:26 PM
To: Schlaepfer, Martin (ENERGY); Teliszewsky, Andrew (ENERGY)
Cc: Imbrogno, Serge (ENERGY); Baker, Carys (ENERGY)
Subject: RE: OFHP TB Sub - Questions from TBS

Thanks please share.

Matt

From: Schlaepfer, Martin (ENERGY)
Sent: May-08-17 3:21 PM
To: Whittington, Matt (ENERGY); Teliszewsky, Andrew (ENERGY)
Cc: Imbrogno, Serge (ENERGY); Baker, Carys (ENERGY)
Subject: RE: OFHP TB Sub - Questions from TBS

Hi Matt,

Per your request, we've added a bullet below (blue text). Let us know if this works.

Thanks,
Martin

From: Whittington, Matt (ENERGY)
Sent: May-08-17 2:10 PM
To: Schlaepfer, Martin (ENERGY); Teliszewsky, Andrew (ENERGY)
Cc: Imbrogno, Serge (ENERGY); Baker, Carys (ENERGY)
Subject: RE: OFHP TB Sub - Questions from TBS

Hi Martin

On first answer – can a bullet be added that summarizes the opinion from E&Y supporting consolidation of the trust.

Thanks,
Matt

From: Schlaepfer, Martin (ENERGY)
Sent: May-08-17 12:06 PM
To: Teliszewsky, Andrew (ENERGY)
Cc: Imbrogno, Serge (ENERGY); Whittington, Matt (ENERGY); Baker, Carys (ENERGY)
Subject: OFHP TB Sub - Questions from TBS

Hi Andrew,

We have received a couple of questions from TBS on our OFHP submission. Below are the questions and our proposed responses (in red font).

Please let us know if you have any questions or concerns.

Thanks,
Martin

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1) In the document "OPG Accounting Considerations of Ontario Fair Hydro Plan," the conclusion indicates "OPG believes that consolidation of the Trust is supportable". Please clarify this conclusion in plain language, particularly "consolidation" as term consolidation has a particular meaning when considering the province's fiscal plan.

On April 13, 2017, the Province requested that OPG consider administering the financing associated with Ontario's Fair Hydro Plan (OPHP), because of OPG's participation in the market, regulatory knowledge and the potential ability to consolidate the related financing activities.

To undertake this financing, OPG will establish a Financing Entity Trust (the SPV/Trust) to finance and administer the Global Adjustment (GA) costs through a mixture of external financing and an equity injection from the Ontario Financing Authority (OFA).

It is expected that OPG will control the SPV/Trust for accounting purposes and that its financial position and results will be "consolidated" within OPG's consolidated financial statements.

E&Y was asked to opinion on whether OPG's control of the SPV/Trust allows for "consolidation" within OPG's consolidated financial statements.

Based on the existing and proposed legislation, key operating conditions being addressed in regulations and supporting agreements/documents and no introduction of new conditions that would conflict with OPG's control of the SPV/Trust, E&Y concurs with OPG's assessment that the accounting requirements to support "consolidation" of OPG SPV / Trust with OPG Inc. can be met.

2) Please clarify the ask around the $3.5M media procurement. Submission indicates $2.5M needed in 2017-18, is the remaining $1.0M ask to come for 2018-19, or is there some connection to the $1M spent in 2016-17. Please clarify the specific amount and timing of the transfer(s?) from the Bulk Media Buy Program.

There is no procurement ask for 2018-19 – this request is related to the media campaign the Ministry commenced in April 2017. Below is a breakdown of the spending for the media procurement:

2016-17: $1 million (already spent)
2017-18: $2.5 million (campaign tracking to run for one-month starting July 2017).

The Ministry will be tracking to request a transfer from the Bulk Media Buy Program in August/September 2017.