Ontario

MINISTRY OF
ENERGY

Chiefs of Ontario Engagement on Broadening Ownership of Hydro One

Briefing for Secretary of Cabinet

Background

- The Chiefs of Ontario (COO) wrote to Minister Chiarelli on July 13, 2015 advising that First Nations recognize the partial sale of Hydro One as a "significant opportunity…to move past historic grievances and to…share resources and the benefits of the lands."
  - o COO stated an expectation to own 10 percent of Hydro One and to work with the Minister and the Ministry to ensure that ownership of shares is transferred outside of the Initial Public Offering.
- The Minister met with Ontario Regional Chief Day in Thunder Bay on August 26th and committed to providing capacity funding to assist COO exploring opportunities for First Nation participation in broadening of the ownership of Hydro One.
  - o At that meeting, COO also invited Minister Chiarelli back to Thunder Bay in late October to provide more detail on the Hydro One IPO process as well as the process for potential future share sales.
- The Ministry is focused on continuing to have cooperative and productive discussions with COO and keep the IPO proceeding throughout these discussions which will require longer timeframes to resolve.

Current Status

- COO has retained the services of Dickson Wright LLP - Crosbie & Company to provide it with expert financial and legal advice and options.
  - As a follow up to the meeting between COO and Minister Chiarelli in August, a draft Transfer Payment Agreement is being prepared to support COO's assessment of options, including the retaining of its financial and legal advisors.
- The Ministry has held one meeting thus far with these advisors to discuss the process going forward including status and timelines of the IPO.
  - The advisors indicated that they are working to an October 30th milestone to provide COO with both an IPO primer and some basic information on the deal and aiming to have options developed for COO consideration within 60 days (by the end of November).
  - The advisors re-iterated the COO position that First Nations are seeking an eventual 10 percent ownership stake in Hydro One and noted they are aware of the arrangements made with Hydro One unions on share ownership.
- The Minister is planning to meet with COO in Thunder Bay on October 27th or 28th to continue to engage in dialogue with COO leadership.
- The Ministry is working closely with MAG and MAA on all these matters.

Future Opportunities for Hydro One Ownership

- The Province is moving forward with the Council's recommendations to broaden the ownership of Hydro One through an initial public offering of approximately 15%, which it expects to close this fall
  - The preliminary prospectus was filed on September 17, next an amended and restated prospectus will be filed, then marketing will begin to inform the pricing that will be included in the final prospectus expected in early November
- The IPO is the first step, but the Province has also announced its intention to move forward with additional share offerings in subsequent years, over time totalling up to 60% of the Province's interest in Hydro One
- Various options exist to facilitate future divestment by the Province in order reduce its ownership to 40% over time. This will provide time for negotiations with the Chiefs of Ontario (COO) and opportunities to for share sale(s) to First Nations

40% Ownership

IPO Closes (FY 2015-16)
Province sells 15% of its shares in Hydro One

Future Share Sales (FY 2016-17 and Beyond)
- Each year, the Province will set out share sale targets in an effort to eventually sell down to 40% ownership
  - Share sales may take the form of market sale (similar to IPO, but for sales after the IPO) or private placements (allows province to consider long-term owners of Hydro One)

Related Information

- Several First Nations have expressed interest in the Hydro One IPO independently of COO (e.g. Nishnawbe Aski Nation). Keeping all First Nation interests aligned will be a challenge for COO and Ontario Regional Chief Day.
- Métis Nation of Ontario (MNO) has also expressed an interest in the Hydro One IPO. The Ministry has offered to provide MNO with information about the IPO process.

Next Steps

- Share draft Transfer Payment Agreement for capacity funding to support COO analysis of Hydro One opportunity
- Work with Ministry of Aboriginal Affairs on agenda for Minister's meeting with COO scheduled for late October
- Work with the Restructuring Secretariat, Ministry of Finance and Treasury Board Secretariat to develop financial models to appropriately assess different options