LTEP/OFHP July 11/17

July-11-17

3:06 PM

Guarantee

OPG - needs to look out for best interest and do what they need to do but are being cooperative as need province to act as guarantor but province needs them to accept some terms

OPG wants to borrow in US, OFA not supportive, don't' see as necessary especially in first year, can obtain what need in first year

What is truly needed in guarantee?

In going the model they are proposing, increases interest rates when don't need to take that on especially in first year

Can't direct them on how to borrow but can pressure them

Can we restrict/put conditions on our guarantee?

No, impacts the program

OPG looking to lock thigns down to go out to market but we need more time

Aiming for October

Need rating agencies before go to market

Interest

How interest income gets into trust in first 4 years

Clean energy adjustment not charged to rate payers for first 4 years - so hwo does trust break even in first 4years?

Idea was ratepayers 2% would pay interest but if no income is going into trust, how is it kept whole?

Leads to fiscal hit

IESO/OPG working on solution

Can IESO carry liability? If too big, trips accounting opinion

Or ratepayers reduced by 25 but take 27 out of the system and put 2 into IESO

Impacts constitutional opinion, puts that at risk faster

Options outside trust?

Constitutional Law

Navigant report - under solicitor client priveledge, done through Blakes

Financing requires disclosure so curve will be known, rating agencies also need to see curve (when creating asset, when paying for the asset)

AG will get copy eventually

Quantifies how much can push to future - says can refinance 40% of what we want to refinance (says we can do 10B over 4, so after 2.5B each year for 4 years all costs hit so creates 25% increase in year 5)

At moment, not clear whether there are sufficient grounds that this is disproportionate or whether it would be purely speculative

Can you footnote the curve that says may include taxbase support

25% includes the 8% HST tax base support, leaves 17% that is being refinanced, which includes the 2% for social programs

Legal opinion tories

Rating agencies

AG

Accounting

Discussion with KPMG and impact of Navigant report, may put model at risk

IESO status

Need them to sign transfer agreement with

AG is criticizing their accounting, IESO will stand firm on 2016 but audit commtitee unsure on 21017

Means if they aren't sure, they can't sign transfer agreement

KPMG working on response to AG (as auditors of IESO)

Next steps

Create deck that provides issues and mitigation

LTEP