RE: Provincial Support Agreement (Fair Hydro Plan) - Sept 26 TB/MBC

From: Anna Strathy <anna.strathy@ofina.on.ca>
To: "Strang, James (TBS)" <james.strang@ontario.ca>
Cc: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>, "Kwan, Ronald (OFA)" <ronald.kwan@ofina.on.ca>, "Malekzadeh, Afshin (TBS)" <afshin.malekzadeh@ontario.ca>, "Skubel, Chris (TBS)" <chris.skubel@ontario.ca>, "Komal, Indira (TBS)" <indira.komal@ontario.ca>, "Wichenko, Lenna (TBS)" <lenna.wichenko@ontario.ca>, "Kaufman, Paul (TBS)" <paul.kaufman@ontario.ca>, "Smook, Nick (TBS)" <nick.smook@ontario.ca>, "Reiss, Anthony (MOF)" <anthony.reiss@ontario.ca>, "Gounden, Pratima (ENERGY)" <pratima.gounden@ontario.ca>, "Kandeepan, Ken (OFA)" <ken.kandeepan@ofina.on.ca>, "Mayman, Gadi (OFA)" <gadi.mayman@ofina.on.ca>, "Manning, Mike (OFA)" <mike.manning@ofina.on.ca>
Date: Wed, 20 Sep 2017 11:00:22 -0400
Attachments: 4 RAN MOF ENERGY - Change of Law Protecition Agreement v4 (MOF & ENE com....doc (859.65 kB)

Hi James,

Please find attached, consolidated comments and edits from the OFA, Energy, and MOF Legal, as well as responses to your questions, below.

Please don't hesitate to contact me should you have any questions.

Thanks, Anna

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Tuesday, September 19, 2017 9:36 AM
To: Anthony Reiss (MGS) <Anthony.Reiss@ontario.ca>; Pratima Gounden (ENERGY) <Pratima.Gounden@ontario.ca>
Cc: Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Hosick, Sarah (TBS) <Sarah.Hosick@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Indira Komal (MCSCS) <Indira.Komal@ontario.ca>; Lenna Wichenko (MCSCS) <Lenna.Wichenko@ontario.ca>; Paul Kaufman (MOHLTC) <Paul.Kaufman@ontario.ca>; Nick Smook (MOF) <Nick.Smook@ontario.ca>
Subject: Provincial Support Agreement (Fair Hydro Plan) - Sept 26 TB/MBC

Hi,

Attached is a draft TB/MBC note based on draft submission version 8 (also attached). I've heard there is another updated version on the way. Please provide an update of timing for Ministers signing from both Ministries.

Below are questions, hopefully responses can be provided in advance of Chair's pre-brief on Wednesday afternoon (so responses by Wednesday morning to include in revised note, if needed).

- Draft sub takes about a Change of Law Protection Agreement and identifies three triggers. The first two make sense talking about legislative/regulation changes and judicial changes, the third dealing changes within IESO adversely impacting the Financing Entity does seem to be related to change of law. Please clarify. The working title of the agreement is the Provincial Protection Agreement; however it is still subject to change.

    - Regarding the third trigger, is this in or out? If in, is there any consideration being given to the Province to narrow the very broad scope? The third trigger is in and it's been narrowed to ensure only a change that adversely impacts the ability of the Financing Entity to collect payments would trigger the protection agreement.

- What are derivative agreements? Payments under derivative agreements? Derivatives agreements are financial contracts entered into by parties to hedge financial risk associated with borrowing for example. In this particular circumstances, the Financing Entity might enter into interest rate swap agreements to hedge the interest rate payable on its issued debt.

- Does the Province have any consideration/protection regarding the subsequent form of obligations, securities/derivatives that can be brought/offered to the market? The Minister of Finance and Minister of Energy will negotiate terms and conditions as part of the proposed protection agreement that would provide a process for determining which future obligations, securities/derivatives would have the benefit of the protection agreement. The process and framework is currently under development but may include approving standard terms and conditions of debt issuances in advance, setting a maximum amount of debt that may be issued within a period.

- Following this submission, will there be the typical submissions seeking s28 FAA approvals for the guarantee or indemnification provided? If not, how does the requested minute cover off s28 FAA? The Minister of Finance will be asked to approve for the purpose of FAA s. 28 the 2 Ministers seeking the OIC in the form attached. The Minister of Finance will also be requested to approve under FAA s. 28 the final form of protection agreement to be entered into by the Minister of Energy and the Ministry of Finance as authorized by the OIC.

Thanks in advance,

James Strang
416-327-2071
