

FW: HANsard: MPP Fedeli (PC) to Ministers McMahon (TBS) and Thibeault (Energy) -re: Hydro One and the FAO

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Date: Mon, 23 Apr 2018 11:28:35 -0400

From: Sullivan, Bryant (TBS)
Sent: April 23, 2018 10:53 AM
To: Skoberne, Vivienne (TBS); Ue, Allison (TBS)
Subject: FW: HANsard: MPP Fedeli (PC) to Ministers McMahon (TBS) and Thibeault (Energy) -re: Hydro One and the FAO

Note that ENE Min referred to officials (not by name) as part of prep work

From: Flowers, Robert (TBS)
Sent: April 23, 2018 10:49 AM
To: Hadisi, Lawvin (TBS); Rubin, Jack (TBS)
Cc: Ovenden, Erin (TBS); Dodd, Edward (TBS); Palmer, Sarah (TBS); Jackson, Sarah (TBS); Hosick, Sarah (TBS); Laughton, Patrick (TBS); @TBS-L-Issues and Media; Liu, Mary (TBS); McCreery, Lauren (TBS); Nelson, Dane (TBS); Rowland, Madeline (TBS); Skoberne, Vivienne (TBS); Ue, Allison (TBS); Walsh, Laura M. (TBS)
Subject: HANsard: MPP Fedeli (PC) to Ministers McMahon (TBS) and Thibeault (Energy) -re: Hydro One and the FAO

MPP Fedeli (PC) to Minister Thibeault (Energy) and Minister McMahon (TBS) re: Hydro One and Financial Accountability Officer

>> Vic Fedeli: Good morning again, Speaker. My question is for the acting **Premier**. The financial accountability office was very concerned about the Liberal hydro financing scheme and asked m.p.s to make certain the auditor general approved, but not only did the auditor say the scheme does not meet accounting standards. She said that to flow the costs through Ontario power generation, as the scheme called for, will add \$4 billion. She said, quote -- we're talking \$4 billion more than needed just to get an accounting result. Now the "Globe and mail" is taking this scandal national with a damning indictment of this government practices. Mr. Speaker, now that the Liberal scheme has been disclosed, would the government follow the law and save the Ontario taxpayers \$4 billion?

>> Minister Thibeault: Thank you, Mr. Speaker. Pleased to rise and once again talk about the policy choice that we made as a government, Mr. Speaker, to ensure we continue to have a reliable electricity system, a clean electricity system, Mr. Speaker, and an affordable electricity system for the ratepayers of today and for the ratepayers of tomorrow, Mr. Speaker. The fair hydro plan, Mr. Speaker, the plan that we brought forward keeps the cost of borrowing within the rate, not the tax base. Mr. Speaker, because that's the logical thing to do. Mr. Speaker. The policies and the implementation process for the fair hydro plan were designed and extensively reviewed by senior bureaucrat officials. Mr. Speaker, from the ministry of energy, from the ministry of finance, from the treasury board secretariat, from the office of the provincial controller, from Cabinet office. From the Ontario financial authority, from the IESO, Mr. Speaker, from the Ontario power generation and we worked with third party experts with firms such as K.M.F. -- KPMG --

>> Vic Fedeli: Back to the acting **Premier**. The logical thing to do is not spend the extra \$4 billion. The

"Globe and mail" clearly illustrates that not only will Ontario families pay tens of billions of dollars for this Liberal hydro scheme, but the secret accounting will cost taxpayers \$4 billion more. The article reads, quote -- Andre Lau the C.D. Howe research director said he'd never before encountered such a convoluted arrangement in the public sphere. To him the use of related party transactions between multiple entities resembles tax avoidance schemes in the private sector. Quote, the same accountants that are advising the government are advising the private sector to build other types of complex accounting structures, he told "The globe". How crazy is this? Really. Mr. Speaker, will the government come clean on the "Globe and mail" has titled, quote, bad books?

>> Minister McMahon: Thank you, Mr. Speaker. I know that the members opposite are anxious to hear the answer. That's why they asked the question. Speaker, our government presents the government's finances fairly and accurately and accordance with Canadian public sector accounting standards. The plan will be transparent in the consolidated financial statements of our province. Speaker the technical issue about whether or not the IESO is a rate-regulated agency and should thus use rate regulated accounting much the auditor general does not believe the IESO should and we respectfully disagree, Speaker. Instead the A.G. is advocating for an accounting practice that steals \$17 billion in market contributions over which the IESO has oversight and those are now transparent, Speaker, and in the public domain. In closing, Speaker, I know the member opposite mentioned the public. They are waiting as are we, Speaker, with bated breath to see what the other side is going to do about hydro, Speaker. We've yet to hear. Thank you, Mr. Speaker .

>> Vic Fedeli: Well, back to the Deputy **Premier**. It's transparent all right. We saw right through it. In a statement to "The globe", KPMG emphasized it had no formal role in selecting or approving Ontario's accounting policy nor did Deloitte. Ernst and Young declined to answer questions about its work according to the "Globe and mail." Yet the energy Minister keeps saying all of them have approved this government's scheme. All of the firms deny that. Mr. Speaker, do we need another gas plant-style scandal hearing to get to the truth yet again?

>> Minister Thibault: Thank you, Mr. Speaker. Once again I'm pleased to rise and talk about the work that we have done with our accounting firms, Mr. Speaker, and the policies and the implementation process for the fair hydro plan were designed and extensively reviewed as I said before. Mr. Speaker, by law wide. KPMG and Deloitte. In conjunction with that. Mr. Speaker, **we worked extensively with the senior bureaucratic officials, Mr. Speaker, within my ministry, within the ministry of finance, within the treasury board secretariat, the office of provincial controller, Cabinet office, Mr. Speaker, as well as the Ontario financial authorities and the independent electricity system operator and of course, Mr. Speaker, O.P.G..** Through this work, we created a range of implementation options and ensured that due diligence, Mr. Speaker, was complete. Once again these are policy choices we made to ensure we continued to have a clean, reliable and affordable electricity system.