Excerpt from G&M Article	Description of error in text
What she didn't know was that it represented a radical departure in how the government of Premier Kathleen Wynne – not just the IESO – planned to disclose its future borrowing activities to the public.	This statement is not accurate. The accounting for the Fair Hydro Plan does not change the way borrowing is recorded. Direct borrowing by the Province is and will continue to be recorded as gross debt of the Province. Borrowing by OPG, or the Fair Hydro Trust (which is consolidated with OPG) will be recorded on the financial statements of OPG and then included in the investment account for OPG on the Province, in the same way that OPG has been recorded for the last 18 years (since the government began including the results of the entities that made up the former Ontario Hydro in the consolidated financial statements of the province). The debt of the Fair Hydro Plan is not the only long term debt of OPG and is recorded in the statements of OPG in the same manner as its other long-term debt.
…..a discrepancy that will grow markedly as the government's off-balance-sheet borrowing continues.	This statement is not accurate – the borrowing for the Fair Hydro Plan is not off-balance-sheet. Direct borrowing by the Province is and will continue to be recorded as gross debt of the Province. Borrowing by OPG, or the Fair Hydro Trust (which is consolidated with OPG) will be recorded on the financial statements of OPG and then included in the investment account for OPG on the Province, in the same way that OPG has been recorded for the last 18 years (since the government began including the results of the entities that made up the former Ontario Hydro in the consolidated financial statements of the province). The debt of the Fair Hydro Plan is not the only long term debt of OPG and is recorded in the statements of OPG in the same manner as its other long-term debt.
Recording expenses as assets is perfectly legal in certain contexts, but the practice has been controversial in the private sector. In their book Easy Prey Investors,	Recording rate-regulated assets in the private sector is not controversial. The vast majority of Canadian companies who are subject to rate-regulation in Canada, prepare their financial statements

forensic accountants Al Rosen and Mark Rosen write that recording “fake assets” on corporate balance sheets is one of the “most common financial scams of the past 50 years.”	using rate-regulated accounting, including many publicly traded companies. See link to report issued by the Chartered Professional Accountants of Canada (CPA Canada) providing an overview of those Canadian organizations following rate regulated accounting (http://www.ifrs.org/-/media/feature/meetings/2016/september/asaf/rate-regulated-activities/1609-asaf-03a-rate-regulated-activities-canada.pdf) and also the project update by Accounting Standards Board of CPA Canada which states, “The Accounting Standards Board (AcSB) is participating in the International Accounting Standards Board’s (IASB) comprehensive project to determine whether (or how) IFRSs should be amended to provide guidance on rate-regulated activities.” (http://www.frascanada.ca/international-financial-reporting-standards/projects/active/item79005.aspx)
The official explanation is that in mid-January, 2017, at one of the earliest meetings to discuss the Fair Hydro Plan, Ontario Controller Cindy Veinot ordered Ms. Marshall to “take a closer look” at adopting rate-regulated accounting because she didn’t think the IESO’s existing policies were appropriate.	The statement is not accurate. There was no “order”, the request did not relate to rate-regulated accounting -- it related to the accounting for the market accounts, and Cindy Veinot expressed no opinion on IESO’s existing accounting policies. The “official” response was provided twice – on April 5, 2018 and again on April 20, 2018. Those responses are reproduced below: April 5, 2018 email to you from Lawvin HAdasi: *During the week of January 16, 2017, Cindy Veinot, Assistant Deputy Minister and Provincial Controller had a conversation with Kim Marshall, Vice President, Corporate Services and Chief Financial Officer regarding IESO’s financial reporting of market accounts. She requested IESO take a closer look at the accounting for market accounts on their financial statements. While no specific timeframe was discussed during the conversation, the intention of the request was to have this review completed before the province’s year-end of March 31, 2017.* April 20, 2018 email to you from Lawvin Hadasi:

	"In January 2017, at one of the initial meetings that the Provincial Controller attended to discuss Ontario's Fair Hydro Plan (OFHP or "the Fair Hydro Plan"), she became aware of the accounting for the market accounts at the Independent Electricity System Operator (IESO). At that point she requested that IESO management review the accounting for these accounts. While no specific timeframe was discussed during the conversation, the intention was to have this review completed before the Province's year-end of March 31, 2017."
With the provincial controller's encouragement, the agency's management had effectively adopted a new accounting policy on behalf of the entire province.	This statement is not accurate. The provincial controller neither encouraged nor discouraged IESO's management, its audit committee or its board regarding the adoption of rate-regulated accounting. Also, the use of rate-regulated accounting is not a new accounting policy. Both Hydro One and Ontario Power Generation use rate regulated accounting. Hydro One has over \$3 billion in rate-regulated assets (2016 - \$3 billion) and Ontario Generation has over \$7 billion in rate regulated assets recorded (2016 -- \$6 billion). Both of these entities have applied rate regulated accounting for more than a decade and the application of rate-regulated accounting by these entities has a direct impact on the determination on the surplus or deficit of the Province.
The Ontario government's Fair Hydro Plan reduced Ontarian's electricity bills by about 25%. But the government's books don't reflect the costs.	This statement is not accurate. The average reduction of 25% is made up of a number of components including (1) the 8% reduction in rates, implemented in January 2017, (2) the transfer of the costs of specific social programs from the rate base to the tax base, and (3) the Global Adjustment Refinancing aspect of the plan, which reallocates costs from the electricity sector. Items (1) and (2) are recorded as expenses as incurred – e.g. they increase program expenses of the province. The Global Adjustment Refinancing aspect of the plan is recorded as a rate-regulated asset, as it will be recovered from future rate payers. The Global Adjustment Refinancing aspect of the plan represents approximately 17% of the average reduction in electricity bills.

Commented [CV1]: Energy to confirm.

Video – The end of the video states that none of the borrowing related to the Fair Hydro Plan is recorded in the consolidated financial statements of the province.	This statement is inaccurate. Direct borrowing by the Province will continue to be included in gross debt of the Province, with all other borrowing of the Province. Borrowing by OPG, or the Fair Hydro Trust (which is consolidated with OPG) will be recorded on the financial statements of OPG and then included in the investment account for OPG on the Province, as OPG has been recorded for the last 18 years (since the government began including the results of the entities that made up the former Ontario Hydro in the consolidated financial statements of the province). The debt of the Fair Hydro Plan is not the only long term debt of OPG and is recorded in the statements of OPG in the same manner as its other long-term debt.
She had already issued a qualified opinion on a separate issue – the government's accounting for the assets of two pension funds, a matter of billions of dollars – but the government shrugged that off, too.	This statement is inaccurate. The government has been accounting for the net pension assets of Ontario Teachers' Pension Plan and OPSEU Pension Plan on a consistent basis for the last 17 years. Support for the government's accounting position includes: • The conclusions reached by an independent Pension Asset Expert Advisory Panel (the 'Panel'), established by the government to provide advice on the interpretation of PSAS with respect to the reporting of net pension assets of these two joint defined benefit plans. The Panel, comprised of accredited accounting, actuarial and legal professionals with extensive background in pension accounting and plan governance, released its report in February 2017 which supported the government's position that a valuation is not required for these two plans under PSAS. Two key findings of the Panel were: 1) there is no requirement under PSAS that any formal agreement exist between the joint sponsors regarding the timing or amount of a reduction in contributions to record an asset, as the existing agreements in place between the parties support the recognition of an expected benefit, and 2) unilateral control is not required for asset recognition; joint control with each party having the ability to deny the actions of the

	other sponsor, provides evidence of shared control, supporting recognition of an asset. • An opinion from Deloitte LLP on aspects of the Province’s accounting as at March 31, 2016 for the Ontario Teachers’ Pension Plan. The opinion, which was dated October 2, 2016, concluded that it was permissible to recognize a pension asset under Canadian Public Sector Accounting Standards, even though the Province did not have under a unilateral right to reduce contributions. The opinion did not address the value at which the asset should be recorded. • Analysis completed by EY as to whether any valuation allowance is required to be recorded for OTPP or OPSEUPP as of March 31, 2017. EY confirmed no valuation allowance was required for either plan. PSAS are principle based – they are not a set of specific prescriptive rules. Applying them requires the application of professional judgment. Our professional staff exercise judgment in applying the standards and as necessary consult with external experts and advisors. They provide the Office of the Auditor General with their written analysis on all significant issues that impact the financial statements for the year being audited, and they discuss the issues with the Office of the Auditor General. All Chartered Professional Accountants (CPAs), including those employed by the Ontario Public Service (OPS), are required to comply with the Code of Professional Conduct for CPAs. One of those rules is that they not be associated with false or misleading information. That means that if the professional accountants in the OPS do not agree with the judgment of the Ontario Auditor General, it is not as simple as agreeing to accept the interpretation of the Office of the Auditor General if they believe that interpretation would result in false or misleading financial statements. While we expect professional accountants to agree on the vast majority of issues, we acknowledge that they may not agree on everything and when that occurs, and the difference is

	material to the financial statements, the Office of the Auditor General can choose to issue a qualified audit opinion.