Evening Media Scan - Hydro Rate Reduction - October 17, 2017

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Evening Media Scan: October 17, 2017

MEDIA SCAN: HYDRO RATE REDUCTION PLAN

October 17, 2017

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TV Transcripts
- **Global:** Ontario Government Obscuring True Cost Of Hydro Bill Cuts: Auditor General
- **Global:** Update: Ontario Government Obscuring True Cost Of Hydro Bill Cuts: Auditor General
- **City TV**: Auditor General Criticizes Government's Fair Hydro Plan
- **CFTO:** Ontario Government Obscuring True Cost Of Cuts To Hydro Bills, Auditor General Says
- **CJOH:** Auditor General Releases New Report On The Fair Hydro Plan
- **CKCO:** Auditor General Warns Of The Impact Of 25 Per Cent Hydro Cut
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- **CJOH:** Auditor General Releases Scathing Report on Fair Hydro Plan
- **CKCO:** Auditor General Releases Report on Fair Hydro Plan
- **MCTV:** Auditor General Comments On Proposed Cut To Hydro Bills
- **CP24**: MPP Fedeli Discusses AG Report on Fair Hydro Plan

Online Coverage
- **Toronto Star:** Ontario's financial watchdog sounds alarm over hydro-rate cut
- **Globe and Mail**: High electrical costs have driven thousands of manufacturing jobs from Ontario: report
- **National Post:** 75,000 manufacturing jobs lost - that's the price of Ontario's electricity disaster
- **Hamilton Spectator**: Ontario government obscuring true financial impact of cuts to hydro bills: AG
- **Ottawa Citizen:** Reevely: Hiding billions in hydro debt 'unacceptable,' Ontario's auditor general says
- **Sudbury Star:** Hydro plan costing us extra $4B: AG
- **Sault Online:** Patrick Brown, Ontario PC Leader Issues Statement on the "Unfair" Hydro Plan
- **Sudbury.com:** Auditor: Liberal accounting moves costs Ontario $4B
- **CBC News:** Auditor general blasts Kathleen Wynne's 'Fair Hydro Plan'
- **CBC News**: Ontario auditor examines Liberal plan to cut hydro bills
- **Global News**: Customers could pay steep price for Ontario's hydro plan, auditor warns
- **City News:** Auditor general set to report on Ontario's 25 per cent hydro bill cuts
- **Metro Toronto**: Ontario's financial watchdog sounds alarm over hydro-rate cut
- **Bayshore Broadcasting:** Auditor General slams Wynne government.
- **Bay Today:** Government cooked the books on hydro claims MPP
- **Canoe:** Ontario Fair Hydro Plan a $39.4B electric shock for taxpayers: Report
- **Newswire:** Auditor General Says Provincial Government Plans to Obscure the Financial Impact of Electricity Rate Cuts

TV Transcripts

Global: Ontario Government Obscuring True Cost Of Hydro Bill C

Source: Global
Oct 17, 2017 5:35 PM (4)

Anchor: A damning report today from the province's auditor general, and it's all about the price you're paying for hydro. Bonnie Lysyk says the 25 per cent cut to hydro, the true cost of that is being obscured. The auditor general estimates that the plan's total cost will be $39.4 billion over 30 years. Lysyk also says the accounting plan is needlessly complex and leads to an extra $4 billion in interest charges.

Bonnie Lysyk, Ontario's Auditor General: Allow me to cut to the chase. The government's structure will hide from Ontarians the real financial impacts of this electricity rate reduction.

Glenn Thibeault, Ontario Energy Minister: The government does not agree with the assertions and the conclusions of this report. The Fair Hydro Plan operates under a financial and accounting framework that is appropriate for its intended purpose. It is in accordance with the public sector accounting standards and ensures the goals underlying the program are achieved in a cost-effective manner.

Anchor: Two starkly different takes on the government's hydro plan. So which one is right and where is the truth in all of this? I'm going to drill down on this story coming up in our next half hour.

Global Update: Ontario Government Obscuring True Cost Of Hyd

Source: Global
Oct 17, 2017 6:08 PM (18)

Anchor: The Kathleen Wynne government is intentionally obscuring the cost of lowering your hydro bill, and doing that will cost an extra $4 billion. That explosive allegation today from Ontario's auditor general.

Reporter: Is the government intentionally misleading the people of Ontario about the impact of this?

Bonnie Lysyk, Ontario's Auditor General: I think that the way the financing and accounting structure has been set up it keeps off the books the true impact of that policy decision.

Reporter: Now I'm going to get back to that $4 billion number in just a moment, but first the response from the government, which is essentially a polite way of saying the auditor can't count.

Glenn Thibeault, Ontario Energy Minister: The government does not agree with the assertions and the conclusions of this report.

Anchor: All of this hinges on an incredibly technical debate over accounting standards and whether or not debt from lowering your hydro bills right now should be counted against the province's balance sheet. Okay, I know, accountants fighting is hardly a top card draw, but there is plenty at stake according to the auditor. Let's begin with how your hydro bills are being reduced. Here's what the auditor general says about the Liberal Fair Hydro Plan: It will cost an estimated $39.4 billion to lower hydro bills right now. And that's made up of two things: $18 billion in borrowing, and $21 billion in accumulated interest. And we have to pay it all back. From 2028 on, you, or your kids will pay more for hydro than the actual cost of the electricity in order to repay all of that borrowing.

Lysyk: I mean, I've heard the analogy that this is like remortgaging your house. The only problem in this case is the government doesn't own the house.

Anchor: And that $4 billion extra the auditor is talking about? That is what it will cost ratepayers, which is a fancy way of saying people who pay electricity bills, in order to have the debt carried by Ontario Power Generation and not the province itself.

[Movie Clip]: Wake up, wake up!

Anchor: So while the Liberals insist Bonnie Lysyk is wrong, the province's auditor says her report is both an ask and a warning to not allow political promises to come before the rules. It's an accountant battle that we should all be watching.

City TV: Auditor General Criticizes Government's Fair Hydro Pla

Source: City TV
Oct 17, 2017 6:22 PM (13)

Reporter: There was rejoicing when the Ontario government announced that Ontarians would finally be getting a break on their hydro bills by implementing a 25 per cent rate cut. But in a scathing special report released today by Ontario's Auditor General, Bonnie Lysyk concludes that this plan will actually cost billions in extra interest thanks to what she call as needlessly complex financing structure.

Bonnie Lysyk, Ontario's Auditor General The government's structure will hide from Ontarians the real financial impacts of its electricity rate reduction. In order to do this, the government is proposing to use accounting that does not follow its own policy for preparing financial statements.

Reporter: Lysyk says the cost of the rate cut will be $39.4 billion over 30 years, but that will include $4 billion in extra interest costs. The reason for that is because the government does not plan to borrow the money needed directly. It will be bankrolled rough the newly formed OLG Trust that will have to borrow at a higher rate than the government would.

Peter Tabuns, NDP Energy Critic: They can spend all the time they want talking about different accountants they've hired. In the end, it's our hydro bills and it's $4 billion more that we're spending that we don't have to pay. This is a road they're going down that is really destructive to this province.

Reporter: The government does not accept these conclusions and has shot back. Energy Minister Glenn Thibeault says the accounting system was set up the way it was so that the cost of the electricity rate reduction would be paid for by ratepayers and not the entire tax base. He says there's nothing underhanded about it at all.

Glenn Thibeault, Ontario Energy Minister: The Fair Hydro Plan also keeps the cost of borrowing within the rate base, not the tax base, because that's the logical thing to do. Electricity financing should remain within the electricity system.

Reporter: Ontario's soaring hydro rates had helped send Wynne her lowest approval ratings. The speculation is that this supposed financial shell game has been devise today change that in time for next June's provincial election. But the voters we talked to are not impressed.

Unidentified: The gas plant is prime example.

Unidentified: I prefer honesty and transparency, prefer authentic leadership. If you can't do something, explain to me why you can't do it. Explain to me what the trade-offs were.

Reporter: Now Lysyk is urging the Wynne government to fix this and be more transparent about the true cost of the rate cut. For more on this story, go to our website CityNews.ca, where a well-known energy analyst does not mince words. He calls this scheme a carefully constructed fraud.

CFTO Ontario Government Obscuring True Cost Of Cuts To Hydr Says

Source: CFTO
Oct 17, 2017 6:05 PM (5)

Anchor 1: The report is scathing, the accounting methods of the Ontario government being questioned.

Anchor 2: We are talking about the auditor general's findings about the real cost of the hydro rate cut. CTV's Paul Bliss is live at Queen’s Park with that. Paul, the auditor general did not mince words today.

Reporter: No, Zuraidah. I’ve never seen her this fired up. She's questioning the very numbers the government puts out and she's even warning that if this sort of accounting continues we won't be able to trust government numbers on finances that they put out in future years.

Bonnie Lysyk, Ontario Auditor General. Let me be clear...

Reporter: In a damning report on the government's 25 per cent hydro bill discount, the auditor general warns the truth will be hidden from the public.

Lysyk: The government structure will hide from Ontarians the real financial impacts of this electricity rate reduction.

Reporter: Bonnie Lysyk says the complex scheme will add $4 billion more to your hydro bills than necessary because of higher interest payments, adding the government is not using normal accounting practices to show the expense.

Lysyk: That's like you treating your credit card debt as an asset in your books. Does that sound right now to you?

Reporter: In fact, Lysyk says the new accounting practices violate the government's own rules and would be unacceptable in the private sector. The government says, with respect, it disagrees with the auditor general, adding many outside experts agree with their plan and that this method of accounting is widely used in the United States.

Liz Sandals, President of Treasury Board: We didn't just introduce rate based accounting. This is the accounting that the electricity sector has used.

Reporter: CTV asked both the Treasury Board Chair and the Energy Minister if they were cooking the books to show a balanced budget.

Reporter: Is this allowing you to lie and fabricate numbers?

Minister Sandals: Absolutely not.

Reporter: The opposition parties are outraged.

Peter Tabuns, NDP Energy Critic: In the end, it's our hydro bills, and it's $4 billion more that we're spending that we don't have to pay.

Patrick Brown, Ontario PC Leader: This is a direct quote: “They are making up their own accounting rules.” Can you imagine that? A direct quote, “making up your own accounting rules”?

Reporter: The auditor says there is still time to fix what she calls an unacceptable and needlessly complex scheme. The Energy Minister says this is simply a disagreement over accounting methods and nothing is being hidden. He adds that all of these numbers are going to be available to the public for viewing any time. Paul Bliss, CTV News, at Queen's Park.

CJOH: Auditor General Releases New Report On The Fair Hydro

Source: CJOH
Oct 17, 2017 6:07 PM (5)

Anchor 1: Well, they made up their own rules, and tried to hide the true cost of cutting hydro bills.

Anchor 2: That's the damning conclusion made by Ontario’s Auditor General in a new report released today.

Anchor 1: The Auditor General found the government made up accounting rules in an attempt to hide $4 billion in extra interest costs. If the books are not balanced for 29 years, the Auditor says the cost of the program could balloon to more than $69 billion. With more, here's CTV's Paul Bliss.

Bonnie Lysyk, Ontario Auditor General: Let me be clear.

Reporter: In a damning report on the government's 25 per cent hydro bill discount, the Auditor General warns the truth will be hidden from the public.

Auditor General Lysyk: The government structure will hide from Ontarians the real financial impacts of this electricity rate reduction.

Reporter: Bonnie Lysyk says the complex scheme will add $4 billion more to your hydro bills than necessary because of higher interest payments, adding the government is not using normal accounting practices to show the expense.

Auditor General Lysyk: That's like you treating your credit card debt as an asset in your books. Does that sound right to you?

Reporter: In fact, Lysyk says the new accounting practices violate the government's own rules and would be unacceptable in the private sector. The government says with respect, it disagrees with the Auditor General, adding many outside experts agree with their plan, and that this method of accounting is widely used in the United States.

Liz Sandals, Ontario Treasury Board President: We didn't just introduce rate based accounting. This is the accounting that the electricity sector has used.

Reporter: CTV asked both the Treasury Board Chair and the Energy Minister if they were cooking the books to show a balanced budget. Is this allowing you to lie and fabricate numbers?

Treasury Board President Sandals: Absolutely not.

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Patrick Brown, Ontario PC Leader: This is a direct quote: They're making up their own accounting rules. Can you imagine that? A direct quote. Making up your own accounting rules?

Reporter: The Auditor says there's still time to fix what she calls an unacceptable and needlessly complex scheme. Paul Bliss, CTV News.

CKCO: Auditor General Warns Of The Impact Of 25 Per Cent Hyd

Source: CKCO
Oct 17, 2017 6:09 PM (7)
Anchor: The report is scathing and the accounting methods of the Ontario government are being questioned. We're talking about the Auditor General's findings about the real cost of the hydro rate cut. CTV’s Paul Bliss has more.

Bonnie Lysyk, Ontario Auditor General: Let me be clear --

Reporter: In a damning report of the government's 25 per cent hydro bill discount, the Auditor General warns the truth will be hidden from the public.

Auditor General Lysyk: The government structure will hide from Ontarians the real financial impacts of the electricity rate reduction.

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Reporter: The Auditor says there is still time to fix what she calls an unacceptable and needlessly complex scheme. Paul Bliss, CTV News.

CHCH Auditor General says Fair Hydro Plan Could Cost Extra $

Source: CHCH
Oct 17, 2017 6:09 PM (7)

Anchor: Ontario's Fair Hydro Plan could end up costing an extra $4 billion over the next 30 years because of the way the government is borrowing money to give ratepayers a break on hydro costs. The Auditor General had some harsh words for the government today. As Lisa Hefner reports, the books may not have been cooked at all.

Bonnie Lysyk, Auditor General: The accounting proposed by government is wrong.

Reporter: Auditor General Bonnie Lysyk says the province is hiding the true impact of the Fair Hydro Plan, even though the Premier acknowledged a cost when she announced a 25 per cent reduction to ratepayers back in March.

Premier Kathleen Wynne: It will cost a bit more. That's true. And it will take longer to pay off. That's also true. But it is fairer because it doesn't ask this generation of hydro customers alone to pay the freight for everyone who came before and everyone who is going to come after.

Lysyk: The government has created an elaborate, non-transparent and complicated financing structure. This structure is to be used to avoid recording the true cost of its policy decisions.

Reporter: The problem, according to Lysyk is that Ontario Power Generation will incur the debt, not the province. And as an agency of the government, it pays a slightly higher interest rate.

Peter Tabuns, NDP MPP: The government is wasting, wasting $4 billion on an Enron style accounting scheme whose sole purpose is to hide this truth from the public.

Reporter: But Marvin Ryder from Degroote School of Business says he seeks both sides.

Marvin Ryder, Degroote School of Business: If it is refinancing of the electricity assets, then really it should be done by Power Generation and that is the right place to do it. On the other hand, since I also understand the value of a dollar and taxpayers money is taxpayers money, if I could have saved $4 billion over 30 years, I think I might have been tempted to try and find a hybrid solution.

Premier Wynne: This is not partisan. This is about people needing to have the reliability of turning on a light switch, Mr. Speaker, and the light coming on. In 2003, we had blackout and brownouts. The lights were not coming on, Mr. Speaker. We have rebuilt the system and people needed a break.

Reporter: So the Auditor General Bonnie Lysyk estimated that it could cost an extra $4 billion in interest to borrow money through OPG instead of through the government. But that number really depends on interest rates over the next 30 year. The more immediate impact of course will be in the provincial election coming next year and which argument resonates with voters.

CHEX Auditor General says Hydro Rate Reduction Plan Obscur

Source: CHEX
Oct 17, 2017 6:05 PM (4)

Anchor: A damning report today from the province's Auditor General, and it is all about the price you are paying for hydro.

Bonnie Lysyk, Auditor General of Ontario: To structure your debt this way. you can just borrow your debt directly.

Anchor: Bonnie Lysyk says 25 per cent cuts to hydro prices purposely obscures the true financial impact. The AG estimates the plan's total cost will be $39.4 billion over 30 years. Lysyk also says the accounting plan is needlessly complex, and it leads to an extra $4 billion in interest charges.

Lysyk: Allow me to cut to the chase. The government structure will hide from Ontarians the real financial impacts of the electricity rate reduction.

Glenn Thibeault, Minister of Energy: The government does not agree with the assertions and the conclusions of this report. The fair hydro plan operates under financial, under a financial and accounting framework that is appropriate for its intended purpose. It is in accordance with the public sector accounting standards, and ensures the goals underlying the program are achieved in a cost-effective manner.

Anchor: For more on the Auditor General's report and reaction, go to globalnews.ca.

CKWS Auditor General Releases Report on Fair Hydro Plan

Source: CKWS
October 17, 2017 6:08 PM (6)

Anchor: The price you pay for power is the big story out of Queen's Park today. The Auditor General has just released a highly-anticipated report on the Wynne government's handling of the hydro file. Alan Carter is at Queen's Park with the impact on your wallet.

Reporter: Well here is the report from Ontario's Auditor General into the Liberal Fair Hydro Plan, and that plan is what's reducing your hydro bill, on average of about 25 per cent. To say that this report is damning is perhaps an understatement, because what it says is that the Ontario Liberal government is intentionally obscuring the financial facts with this really complicated accounting structure, and that that accounting structure will cost rate-payers, that's people who pay for power, it's going to cost them an extra $4 billion over 30 years. The government response to this is going to be that the Auditor General is making some incorrect assumptions about accounting, that this is an accounting dispute, but what is not being disputed is the basics of the Fair Hydro Plan, which is that we pay less now and people later pay more. In fact, in 2028, people will begin to pay more than the actual cost of electricity for hydro in order to subsidize our rate cut now. Back to you.

Anchor: Here are some reactions to the Auditor's report on hydro rates.
Bonnie Lysyk, Auditor General: Allow me to cut to the chase. The government structure will hide from Ontarians the real financial impacts of electricity rate reduction.

Glenn Thibeault, Energy Minister: The government does not agree with the assertions and conclusions of this report. The Fair Hydro Plan operates under a financial and accounting framework that is appropriate for its intended purpose. It is in accordance with the public sector accounting standards and ensures the goals underlined in the program are achieved in a cost-effective manner.

CKVR Auditor General Critical of Government's Hydro Rate Plan

Source: CKVR
Oct 17, 2017 6:12 PM (9)

Anchor: The Wynne Liberals are facing some more heat tonight over their hydro rate cut. Ontario's Auditor General says she doesn't like how the cut is being paid for by taking on new debt, because it means Ontarians don't truly know how much it's costing them.

Bonnie Lysyk, Ontario Auditor General: Let me be clear.

Reporter: In a damning report on the government's 25 per cent hydro bill discount, the Auditor General warns the truth will be hidden from the public.

Auditor General Lysyk: The government structure will hide from Ontarians the real financial impacts of this electricity rate reduction.

Reporter: Bonnie Lysyk says the complex scheme will add $4 billion more to your hydro bills than necessary because of higher interest payments, adding the government is not using normal accounting practices to show the expense.

Auditor General Lysyk: That's like you treating your credit card debt as an asset in your books. Does that sound right to you?

Reporter: In fact, Lysyk says the new accounting practices violate the government's own rules and would be unacceptable in the private sector. The government says with respect, it disagrees with the Auditor General, adding many outside experts agree with their plan, and that this method of accounting is widely used in the United States.

Liz Sandals, Treasury Board President: We didn't just introduce rate based accounting. This is the accounting that the electricity sector has used.

Reporter: CTV asked both the Treasury Board Chair and the Energy Minister if they were cooking the books to show a balanced budget. Is this allowing you to lie and fabricate numbers?

Treasury Board President Sandals: Absolutely not.

Reporter: The opposition parties are outraged.

Peter Tabuns, NDP MPP: In the end, it's our hydro bills, and it's $4 billion more that we're spending that we don't have to pay.

Patrick Brown, Progressive Conservative Leader: This is a direct quote: They're making up their own accounting rules. Can you imagine that? A direct quote. Making up your own accounting rules?

Reporter: The Auditor says there's still time to fix what she calls an unacceptable and needlessly complex scheme. Paul Bliss, CTV News

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MCTV: Auditor General Releases Report on Hydro Rate Reductio

Source: MCTV
Oct 17, 2017 6:14 PM (8)

Anchor: In other news, the province's Auditor General released its findings today after looking into the Wynne government's hydro rate cuts and the Auditor General is not impressed saying the plan means customers will be paying $21 billion over the next three decades to get short savings. CTV's Paul Bliss reports.

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Reporter: The Auditor says there's still time to fix what she calls an unacceptable and needlessly complex scheme. Paul Bliss, CTV News.

CKPR-Auditor General Releases Report Critical of Goverment's

Source: CKPR
Oct 17, 2017 6:10 PM (4)

Anchor: Some criticism from Ontario's Auditor General today over the Wynne government's efforts to cut hydro rates. Bonnie Lysyk estimates it will cost taxpayers $39.4 billion in the next 30 years, but Lysyk says the accounting practices being used by the Liberals mean net debt and the impact on future deficits will not be accurately reflected on the province's books. Lysyk also says the scheme will ultimately lead to about $4 billion dollars in extra interest charges, but government officials are challenging the auditor's conclusions saying the plan conforms with accepted accounting standards.

CBLT-Auditor General Criticizes Plan To Cut Hydro Bills By 25

Source: CBLT
Oct 17, 2017 5:59 PM (1)

Bonnie Lysyk, Ontario Auditor General: This is not a difference of opinion. This is far more serious. The accounting proposed by the government is wrong.

Anchor: A four billion-dollar boondoggle. Ontario's Auditor General says the province's Fair Hydro Plan is anything but fair to Ontarians. The plan reduces the average hydro bill by 25 per cent but the AG says the Liberals are trying to hide the true cost of it. Queen's Park reporter Mike Crawley joins us live and Mike, Bonnie Lysyk slamming the Wynne government today.

Reporter: Dwight, these are some of the harshest things I have ever heard this auditor say, saying that no other government in Canada counts the money this way. She's saying that the Liberals set up this whole plan in a way that is going to cost hydro customers $4 billion more than it should. Here is what boils down to. So the Liberals' Fair Hydro Plan has cut your electricity bill by 25 per cent now. They are doing this by taking some $26 billion in debt and it is Ontario Power Generation that is borrowing the money. OPG pays higher interest rates than the province does and that's why the auditor says it's going to cost that four billion extra. Plus all that debt is not being shown on the government's bottom line, and the auditor says this is plain and simply wrong.

Auditor General Lysyk: That's like you treating your credit card debt as an asset in your books. Does that sound right to you?
Anchor: Feeling like the gas plants all over again. Mike, how are the Liberals defending this?

Reporter: Well Dwight, they're trying to spin this as an accounting dispute with the auditor. They say it is completely legitimate for them to borrow the money this way. Here is the Energy Minister.
Glenn Thibeault, Ontario Energy Minister: We've been very clear about this since the beginning. We always said like we were talking. that we were using it like we were re-mortgaging our house, right. That was one of the analogies we used. We always said it's going to take longer to pay off and it's going to cost more.

Reporter: That metaphor does not sit well with the auditor.

Auditor General Lysyk: I mean I've heard the analogy that this is like re-mortgaging your house. The only problem in this case is the government doesn't own the house.
Anchor: That's right, it's taxpayers' money. The opposition must be having fun with this today.

Reporter: Absolutely Dwight, the NDP Energy Critic even tweeted that this is the Liberals trying some Enron style accounting.

Peter Tabuns, NDP Energy Critic: It's an extra four billion dollars they're putting on people's hydro bills. Four billion dollars that people are gonna have to pay off after this election. That is their only so the books look good, only so the Liberals can say we don't have a deficit.

Todd Smith, PC Energy Critic: What the government isn't doing is being honest about what they're doing and the auditor certainly agrees with that. The auditor is very much taking issue with the accounting standards that the government is using right now, and with good reason, because it is deceitful, it's dishonest and it's shady.

Anchor: The provincial election Mike is next June, ads are already running. Fair to say though the Liberals were going to and still might use their hydro cut as an election platform. So how do you see this playing out during the campaign, with what Bonnie Lysyk had to say today?

Reporter: Well, Dwight the opposition parties, the other parties are gonna try to use the Auditor's report to undermine the Liberals on hydro. The PCs and the NDP are gonna hope that voters will feel that the way -- what the Liberals are doing here and the way this is being financed just doesn't smell right. The Liberals figure though people don't care all that much about accounting, and that folks are simply happy paying less for hydro. And that maybe they've actually quelled that outrage that was out there over hydro bills. Dwight.
Anchor: We will see, thank you Mike.

CBOT Auditor General Releases Report Criticizing Fair Hydro P

Source: CBOT
Oct 17, 2017 6:05 PM (3)

Anchor: Ontario's Auditor General has released a special report criticizing how the Wynne government is financing the hydro rate cut. Bonnie Lysyk says the so-called Fair Hydro Plan will cost people in the plan a lot more in the long run. The plan reduces the average household electricity bill by 25 per cent. The government is funding the rate cut by taking on about $26 billion in debt. The Auditor General says the Liberals are trying to hide the true cost of the plan.

Bonnie Lysyk, Auditor General of Ontario: The government has created an elaborate, non-transparent, and complicated financing structure. This structure is to be used to avoid recording the true cost of its policy decision and avoid recording losses and an increase in net debt. This decision was made knowing that it could cost Ontarians significantly more in interest costs than if the government had borrowed money directly. Instead, most of the money is to be borrowed through entities it owns at higher interest rates.

Reporter: Lysyk says the scheme could result in taxpayers paying up to $4 billion more in interest than yesterday. Opposition critics are slamming the Liberals for the plan.

Peter Tabuns, NDP MPP: It's an extra $4 billion that they are going to be putting on people's hydro bills. $4 Billion that people are going to have to pay off after this election. That is there only, so the books look good. Only so the Liberals can say we don't have a deficit.

Todd Smith, PC MPP: What the government isn't doing is being honest about what they are doing and the auditor certainly agrees with that. The auditor is very much taking issue with the accounting standards that the government is using right now, and with good reason because it is deceitful, it's dishonest, and it's shady.

Anchor: Our Queen's Park reporter Mike Crawley is continuing to follow the story and you can find out more details about the Auditor General's report on our website at cbc.ca/ottawa.

Global Auditor General Releases Report on Liberal Fair Hydro P

Source: Global
Oct 17, 2017 12:00 PM (1)

Anchor: The price you pay for power is topping the news this hour. The Auditor General releasing a highly anticipated report on the Wynne government's handling of the hydro file. Our Alan Carter is at Queen’s Park with the impact on your wallet.

Reporter: Here is the report from Ontario as Auditor General into the Liberal Fair Hydro Plan and that plan is what is reducing your hydro bill on average by about 25 per cent. To say that this report is damning is an understatement because what it says is that the Ontario Liberal government is intentionally obscuring the financial facts with this really complicated accounting structure and that that accounting structure will cost ratepayers, that’s people who pay for power, it will cost them an extra $4 billion over 30 years. The government response to this is going to be the Auditor General is going to make some incorrect assumptions about accounting, that this is an accounting dispute, but what is not being disputed, the basics of the hydro plan, which is that we play less now and people pay later more. In fact, in 2028 people will begin to pay more than the actual cost of electricity for hydro in order to subsidize our rate cut now. More on this tonight on Global news at 530 and six. Back to you.

CFTO:Auditor General Delivers Report on Hydro Rate Cuts

Source: CFTO
Oct 17, 2017 12:09 PM (4)

Anchor: Ontario's auditor general has tabled a report that accuses the Wynne government of hiding the truth about its spending. In fact, she goes so far as to say the government is making up its own accounting rules to cook the books. CTV’s Paul Bliss has read the report. Pretty strong language, Paul.

Reporter: It is, Ken, the report is actually stunning if you read it very closely. It says the Liberals have gone out of their way to manipulate accepted accounting practices, violating their own rules in order to hide the true costs of that 25 per cent of that 25 per cent hydro discount that we're all getting on our bills this year. Why should you care about the numbers? Well, the reason is simple. Their plan is costing you $21 billion in interest payments on the amount they're borrowing in order to pay for your hydro bill discount. What's more, the auditor says you're stuck with $4 billion more than necessary in interest payments because the government cooked up a scheme designed to keep the money off the books, and avoid showing a deficit. Auditor General Bonnie Lysyk says, “this would be unacceptable in the private sector.” She suggests it's dangerous because it means future government financial statements will be so unreliable that terms like balanced budgets and deficits and net debt will be meaningless. Translation: Future government numbers won't be believable. Bonnie Lysyk is speaking to reporters right now at the media room at Queen’s Park. Let's listen in.

Bonnie Lysyk, Auditor General of Ontario: …Enough revenue to cover its costs and has incurred a loss. In other words, it's spending more than it has coming in. And under the government's proposed accounting, you will not see that annual loss on any financial statements in Ontario. The government's proposal is to treat that loss as an asset. That's like you treating your credit card debt as an asset in your books. Does that sound right to you? In proper accounting, borrowing money and losses should result in net debt increasing, in higher deficits. This is government accounting 101. Instead the government has created an elaborate non-transparent and complicated financing structure. This structure is to be used to avoid recording the true cost of its policy decision. And avoid recording losses and an increase in net debt. This decision was made knowing that it could cost Ontarians significantly more in interest costs than if the government had borrowed money directly. Instead most of the money is to be borrowed through entities it owns at higher interest rates. In May 2017, the Financial Accountability Officer reported that this structure could cost rate buyers about $4 billion in additional interest for a total of $21 billion in interest expense…

Reporter: Well, Bonnie Lysyk, the Auditor General of the province of Ontario. Generally the Auditor General does not use very emotional language. They try to stay true to the accounting that they are putting forward. They are officers of the legislature and are independent and don't take any political side, but as you can hear from the language she is using, saying that you at home would never use debt on your credit card and count as an asset to your home. You can tell that she is quite -- perturbed by this and report says so much. If all of this isn't enough. One more thing, the auditor says the Liberals have so far spent two million tax dollars going outside of government to find advisors and lawyers to help them cook up this scheme. A scheme that advisors inside government have warned them doesn't have any credibility. So not only is it going to cost you an extra $4 billion in interest that you don't have to pay because it's so complicated, it's $2 million outside help to cook this one up. More reaction later the show, and the opposition is furious, and more later at Queen's Park. Back to you.

CJOH Auditor General Releases Scathing Report on Fair Hydro

Source: CJOH
Oct 17, 2017 12:05 PM (9)
Anchor: Ontario's Auditor General is delivering a scathing report slamming Kathleen Wynne's Fair Hydro Plan. In Bonnie Lysyk's report the Ontario Liberals are not properly accounting for $26 million in debt the province is taking on to cut the price of hydro since the peak in 2016. The debt is funneled through the Ontario Power Generation so it does not appear on the province's books and electricity customers will have to pay off that debt through rate increases spread over the next 30 years with a total price tag of almost $40 billion. Hydro bills have doubled in the province in last decade.

CKCO Auditor General Releases Report on Fair Hydro Plan

Source: CKCO
October 17, 2017 12:38 PM (23)

Anchor 1: Short-term savings on hydro bills that could cost billions of dollars long-term. Ontario's Auditor General has tabled a report about the Liberal government's hydro plan, accusing them of using dubious accounting practices to mask the true cost. CTV's Krista Simpson joins us with more on this. Krista.

Anchor 2: Well Nancy, the report released today. There are some pretty shocking statements inside. The Auditor General says the government is purposely trying to hide the true long-term cost of the plan, and not following its own accounting rules. This has to do with the 25 per cent cut to hydro bills through lowering time-of-use rates, by removing from bills a portion of the global adjustment for the next 10 years. But the cost to pay power producers hasn't gone down. The Auditor General says ultimately, that debt will end up on rate-payers' bill: an estimated total of $18.4-billion, plus $21-billion in accumulated interest. Based on the financing structure, because the province isn't directly borrowing the money, the Auditor General says there will be $4-billion in extra interest charges. The AG says under the government accounting methods, the annual losses from the ten years of discounts won't appear on the province's books.

Bonnie Lysyk, Auditor General: The government's proposal is to treat that loss as an asset. That's like you treating your credit card debt as an asset in your books. Does that sound right to you?

Anchor 2: The Auditor General also estimates the government has spent at least $2-million to consult with lawyers and bankers in order to come up with their plan and find a way from keeping it from reflecting on the province's deficit. Now the government is responding to the AG's report, saying it doesn't agree with her conclusions, and what they've done does comply with their accounting standards.

MCTV Auditor General Comments On Proposed Cut To Hydro Bill

Source: MCTV
Oct 17, 2017 12:01 PM (2)

Anchor: The Ontario Auditor General Bonnie Lysyk is giving her take today on the Wynne government's 25 per cent cut to hydro bills. The Fair Hydro Plan deals with fiscal transparency and accountability and value for taxpayer's money. Lysyk says the plan means customers will be paying $21 billion over the next three decades to get short-term savings. Electricity bills in the province have roughly doubled in the last decade due in part to green energy initiatives.

CP24 MPP Fedeli Discusses AG Report on Fair Hydro Plan

Source: CP24
Oct 17, 2017 12:10 PM

STEPHEN LEDREW, CP24: Bonnie Lysyk, the auditor general for Ontario, bringing down a...just a damning report; she's not mincing any words. She is just saying that the Ontario government changed the rules. No one agrees with that. They've gone against every established accounting rule to hide the debt, in order to lower the hydro bills. I'm joined now by Vic Fedeli. He's a Progressive Conservative critic in the House. Rarely do you hear anybody use language that she has. I mean she's a straight shooter. She is known as that. She reports to legislature. She's an independent person, if you will. But tell me what your take is from this.

MPP VIC FEDELI: It's shocking that the breadth and depth of the deceit that the Liberal government had undertaken.

LEDREW: Yeah, this is not an accident. I mean, she is saying that...she said they changed the rules. There is not one professional body or one auditor general across Canada - she said she's consulted with many of them - every one of them agrees that this is wrong. As you said, it was wrong in order to hide the debt. And she gave a further report in 2015 where she said Ontario Hydro has billed $37 billion dollars more than it should have because it's paying higher than market prices. So tell me, overall then, about Ontario and its hydro, and the responsibility to the taxpayers.

MPP FEDELI: So Bonnie Lysyk, our AG back in 2015, did say we've spent 37 billion more than we ought to have to buy the same amount of power. And she said we have 133 billion still to pay under those contracts, which means we're going to have soaring hydro rates for as long as you and I are both alive. What the government did was try to bring out their so-called fair hydro plan to mask this. And but not tell us the cost.

LEDREW: Right.

MPP FEDELI: Both the auditor general and our other legislative officer told us this could be up to $93 billion to pay for that 25 per cent reduction.

LEDREW: So, I mean, we have a lot of mismanagement.

MPP FEDELI: Yup.

LEDREW: We have a lot of....it's not just...there's a lot to go around. It's not just hydro officials. It's the government. But tell me...see the government brought this into place, as you well know, very cynical, to lower bills so it's in a better position - they said in their tax paid radio ads; they're saying, 'we heard you; we're listening to you Ontarians; were lowering the bills,' but it's also worked to a degree. They've gone up in the poll. People are saying, 'our hydro bills are less.

MPP FEDELI: Well, this will certainly clarify any misgivings that people may have had or a misunderstanding. They are temporarily reducing your bill, but it will now skyrocket afterwards.

LEDREW: But is this going to work politically?

MPP FEDELI: Not now. I think that this is being, this is being laid out by the auditor general that they were deceitful. That this was done on purpose. They changed the law to be...the rules to be able to do this. But they knew that, they knew that doing what they wanted to do was going to cost $4 billion more to do, yet they did it anyway in order to hide what they were doing.

LEDREW: And $4 billion is one of the smallest amounts of money that we're going to be losing.

MPP FEDELI: Yeah, this is a $40 million issue of which...a $40 billion issue of which $4 billion is just to hide what they were doing.

LEDREW: So what's the government going to do? They have a press conference this afternoon. The Minister of Energy is going to come out. Is he going to lie? Is he going to say, well, she's wrong? Are they going to say that she's cooked? Or what is going to happen.

MPP FEDELI: They've always blamed the messenger. So we'll have to see what they're going to be able to say. They've always said, when Bonnie Lysyk brought out the last report, they basically said, 'well, she doesn't know what she's talking about.' When she brought out the pension report only a year ago that showed they were wrong by billions about the debt and deficit, they said she doesn't know what she's talking about. And so we'll see this time. She is one of the very few people in that building that truly understands the breadth and depth of the deceit that this government has undertaken.

LEDREW: Wow, boy, this is going to be something else this afternoon and in the next few days on this one. Vic Fedeli...yes?

MPP FEDELI: She said you can no longer trust any of the numbers from the government. When they use the words deficit or debt, you cannot believe them. Or balanced budget, you cannot believe them.

LEDREW: Something else. Vic Fedeli, thanks very, very much. Provincially and federally, those Liberals, they are something else.

Online Coverage

Toronto Star ***Ontario's financial watchdog sounds alarm over hydr***
thestar.com
Tue Oct 17 2017
Section: News
Byline: Robert Benzie

Ontario's financial watchdog is sounding the alarm over the Liberal government's 25-per-cent cut in residential electricity rates.

Auditor general Bonnie Lysyk estimates the scheme, unveiled last May, could cost Ontarians an additional $4 billion in interest charges over the next 30 years.

In Lysyk's latest salvo((www.thestar.com»)) against the provincial government over a continuing accounting dispute, she expressed concern about how the hydro rebate will appear on the books.

"The accounting proposed by the government is wrong, and, if used, would make the province's budgets and future consolidated financial statements unreliable," the auditor general said Tuesday.

"This cannot be taken lightly."

Her comments came as she tabled a 53-page special report((auditor.on.ca»)) on the Liberals' "Fair Hydro Plan."

Lysyk's concern about the plan echoes that of province's financial accountability officer who predicted((www.thestar.com»)) in May that it will cost the province $45 billion over the next 29 years while saving ratepayers $24 billion for a $21-billion net expense.

Facing a massive outcry over soaring hydro rates in many parts of the province, Premier Kathleen Wynne moved forward with the generous rebates.

As of Jan. 1, Wynne removed the 8-per-cent provincial portion of the harmonized sales tax from electricity bills.

That was followed up by an additional 17-per-cent cut that took effect over the summer.

The government has justified borrowing money to pay ratepayers by likening it to refinancing a mortgage to enjoy lower payments over a longer time on nuclear reactors, natural gas-fired power plants, and wind turbines.

Lysyk estimated that could mean an extra $4 billion in interest charges over the next 30 years.

The charges are extra, because the province will not borrow all the money directly, doing so, instead, through a complex financial structure that includes Ontario Power Generation, among other Crown agencies.

"Internal records show that senior government officials were aware their approach to borrowing could result in Ontarians paying significantly more than necessary," the auditor general said.

But a 56-page KPMG analysis prepared for the Independent Electricity System Operator (IESO) concluded the government's accounting was fine.

In a 1,037-word rebuttal included at the end of Lysyk's report, the government disputed her findings.

"The government of Ontario does not agree with the assertions and conclusions expressed in the report. (This) is delivering the single-largest reduction in electricity rates in the province's history," the Liberal government responded.

"In developing (this), the government considered a range of implementation options and consulted with legal, accounting, financial and energy sector third-party experts to provide advice and ensure due diligence was completed," it said, noting it operates "under a financial and accounting framework that is appropriate for the intended purpose and in accordance with Public Sector Accounting Standards (PSAS) and ensures that the fairness goals underlying the program are achieved in a cost-effective manner."

The province also rejected some of Lysyk's base assumptions in her report.

"Since 2003, nearly $70 billion has been invested in the electricity system, including more than $37 billion in electricity generation to ensure the system is clean and reliable," the government said.

"The majority of the province's electricity generators operate under 20-year contracts. Despite the report's assertion that it is 'not at all' certain if these generating assets will be operating beyond their contract lives, third-party experts have confirmed that many of these generators will be able to continue to operate," it said.

"This means that generating assets are expected to have ongoing useful life and benefit future ratepayers by reducing the need to finance the development of new generating assets."

As well, the province said that the so-called "peak debt" of the 30-year life of the Fair Hydro Plan has been adjusted downward from $28 billion in March to around $20 billion.

Lysyk has been sparring((www.thestar.com»)) with the government over accounting practices for more than a year.

The original actuarial dispute stemmed from a difference of opinion over whether the government should include, in its bottom line, its share of assets from the teachers' and public servants' pension funds that it co-sponsors.

A government-appointed panel of accounting experts((www.thestar.com»)) sided with Queen's Park that the pension assets should be allowed to count toward the bottom line.

Globe and Mail: High electrical costs have driven thousands of ma
Ontario: report
theglobeandmail.com
Tue Oct 17 2017, 5:00am ET
Section: National
Byline: JUSTIN GIOVANNETTI

High electrical costs have driven thousands of manufacturing jobs from Ontario: report; While many of Ontario's neighbours were able to slowly rebuild their manufacturing after the 2008 recession, that didn't happen in Canada's most-populous province, where 116,435 manufacturing jobs were lost between 2008 and 2015

Ontario's soaring electricity bills have driven numerous factories out of the province according to a new report from the Fraser Institute, leading to a loss of nearly 75,000 manufacturing jobs since the end of the 2008 recession.

Electricity prices in Ontario are now among the highest in North America after years of costly upgrades were made by the province's government to clean up the electrical system and rebuild an antiquated power grid. The resulting rate hikes have hit the manufacturing sector hard and led to significant job losses that are unlike anything seen in neighbouring jurisdictions as factories have relocated to areas with cheaper power, the right-of-centre think tank said in its report released on Tuesday.

Read also: Despite Wynne's rate drop, electricity costs continue to shock((beta.theglobeandmail.com»))

While many of Ontario's neighbours were able to slowly rebuild their manufacturing after the financial crisis, that didn't happen in Canada's most-populous province, where 116,435 manufacturing jobs were lost between 2008 and 2015. The slump has hit the heart of Canada's economy, as Ontario's manufacturing sector accounts for almost 40 per cent of the country's exports.

"During the 2008 recession everybody took a hit, but the other regions were able to get their manufacturing back up. But in Ontario that didn't happen. Ontario shows unique signs of stress and decline in manufacturing, so we had to look for something unique to Ontario and that's electricity prices," said Ross McKitrick, the report's co-author and an economics professor at the University of Guelph. He said manufacturing has recovered to pre-recession levels in all of Canada's provinces except for Ontario.

Using existing economic studies, Mr. McKitrick said the report estimated nearly two-thirds of the province's decline in manufacturing jobs since 2008 was due to elevated electricity prices, equalling about 74,881 jobs. Much of the decline was in energy-intensive industries like the paper sector, iron and steel facilities, and automobile manufacturing.

Ontario's Green Energy Act has created tens of thousands of jobs according to the provincial government, but the Fraser Institute report found that 1.8 manufacturing positions were lost for every job created in the renewable-energy industry.

While he admits the job-loss figure is large, Mr. McKitrick said it matched the overall size of the drop in manufacturing. "What's very large is the large increase in electricity prices, that's what drives the loss," he said.

Electricity costs for small industrial consumers in the Ottawa-area increased by 50 per cent between 2010 and 2016 according to the study; in Toronto the average increase was 48 per cent. Outside of Ontario the average Canadian increase for industrial consumers was only 15 per cent.

In late 2016, a group of businesses united under the banner of the Coalition of Concerned Manufacturers of Ontario to warn the government that high electricity prices were a real threat that could lead factory owners to look at moving elsewhere.

Economists have warned for some time that Ontario's high electricity costs could impact competitiveness. In surveys conducted by the Conference Board of Canada, business owners have cited electrical bills as a leading obstacle to investment, according to chief economist Craig Alexander. "The climbing electricity prices have put Ontario manufacturers at an increasing competitive disadvantage," he said.

Premier Kathleen Wynne announced plans in the spring to cut hydro rates by 25 per cent this year while capping increases to the rate of inflation for the next four years, a move that will save consumers $24-billion. Ontario's Auditor-General is expected to release a report on Tuesday morning that is critical of that plan, especially the decision to move billions in new debt needed to finance the rebates to a Crown corporation rather than the government's books.

Follow this link to view this story on globeandmail.com: High electrical costs have driven thousands of manufacturing jobs from Ontario: report((www.theglobeandmail.com»))

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National Post: 75,000 manufacturing jobs lost - that's the price of disaster
Financial Post
Tue Oct 17 2017
Section: FP Comment
Byline: Special to Financial Post

In the 1990s and into the 2000s, Ontario was a low-electricity-cost jurisdiction. This was a competitive advantage for the province, helping attract business and foster economic growth. Of course, in recent years, due largely to the Green Energy Act and its inefficiencies, Ontario electricity prices have soared, hurting industrial competitiveness, especially in the manufacturing sector where electricity is a major cost.

The results have been devastating.

Between 2005 and 2015, Ontario's manufacturing output fell by 18 per cent and manufacturing employment fell by 28 per cent.

More specifically, from 2008 to 2015, Ontario's manufacturing job levels fell from 805,170 to 688,735. Crucially, in a study published today by the Fraser Institute, we estimate that the province's high electricity prices are responsible for roughly 64 per cent of the losses - that's a staggering 75,000 manufacturing jobs.

Government officials are quick to tout job-creation in renewable energy (wind, solar, etc.). But even when those job-creation estimates are taken at face value, we estimate that Ontario may have lost at least 1.8 permanent manufacturing jobs for every new job created under the province's green energy initiatives since 2008. And this is a conservative estimate, since many of the green energy jobs were temporary.

So how did we get here? Why has manufacturing fled the province in recent years? Ontario's manufacturing sector accounts for almost 40 per cent of Canada's exports, so its decline is a matter of national concern.

Ontario now has the highest electricity costs among all Canadian provinces and some of the highest costs in North America. In 2016, large industrial consumers (with a power demand of five megawatts and monthly consumption of 3,060 megawatt hours) in Toronto and Ottawa paid almost three times more than consumers in Montreal and Calgary and almost twice as much as consumers in Vancouver. Even some select large industrial consumers (Class A) in Ontario, which were granted rate reductions, still paid higher rates compared to large electricity users in Quebec, Alberta and British Columbia.

Ontario electricity costs are also among the fastest growing. Between 2010 and 2016, electricity costs for small industrial consumers (with a power demand of one megawatt and monthly consumption of 400 megawatt hours) increased by 50 per cent in Ottawa and 48 per cent in Toronto, compared to 15 per cent (on average) in the rest of Canada. Increases for large Ontario industrial consumers were also far above those in other provinces.

Notably, the paper manufacturing and iron and steel sectors - the two most electricity-intensive sectors in Ontario prior to the big price increases - shrank the most (32 per cent for paper, 25 per cent for iron and steel).

Moreover, while manufacturing in all provinces fell during the 2008 recession, only Ontario failed to recover to pre-recession levels.

In fact, compared to multiple American and Canadian jurisdictions, Ontario has seen the most substantial decline in manufacturing over the past decade. Between 2005 and 2016, while some nearby U.S. states such as Michigan boosted their manufacturing sector's share of GDP, Ontario's declined by five percentage points. Similarly, between 2005 and 2015, the manufacturing share of employment in Ontario fell by six percentage points compared to only 1.7 points in the United States.

The relative success of other competing jurisdictions proves that global factors such as world demand, exchange rates and technological change cannot explain Ontario's poor manufacturing performance. Clearly, Ontario electricity prices, which have likely placed too large a financial burden on Ontario's manufacturing sector, are to blame.

Finally, it's worth emphasizing that rising electricity costs are a made-in-Ontario problem directly tied to provincial government policies, which include the aggressive promotion of renewable energy sources, poorly structured long-term contracts, and the phasing-out of coal. The dramatic job losses in Ontario's manufacturing sector, and the overall stagnant employment and economic growth rates in the province, should concern policy-makers across Canada. We urge the Ontario government to pursue meaningful reforms aimed at significantly lowering electricity costs in the province.

Ross McKitrick and Elmira Aliakbari are authors of Rising Electricity Costs and Declining Employment in Ontario's Manufacturing Sector, published by the Fraser Institute.

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Hamilton Spectator *Ontario government obscuring true financial im bills: AG*

By: Allison Jones
October 17, 2017 04:52 PM

https://www.thespec.com/news-story/7659438-ontario-government-obscuring-true-financial-impact-of-cuts-to-hydro-bills-ag/

TORONTO — The way the Ontario Liberal government is cutting electricity bills by 25 per cent purposely obscures the true financial impact to avoid showing a deficit on the province's books, the auditor general said Tuesday.

Bonnie Lysyk estimated in a special report that the plan's total cost will be $39.4 billion over 30 years, but the accounting the government is using means Ontario's net debt and future deficits won't reflect that.

"It is clear to us that the government's intention in creating the accounting/financing design to handle the costs of the electricity rate reduction was to avoid affecting its fiscal plan," Lysyk wrote in her report.

The Liberals presented a balanced budget in the spring, a year ahead of the provincial election, and have promised to keep the books in balance through the next couple of years.

"The emails we examined made clear that the instruction to ... officials by government was that there should be no impact on the fiscal plan from its policy decision," Lysyk said. "In other words, they had to come up with something that would not derail the government's promise to present balanced budgets for 2017-18 and the next few years."

The government doesn't agree with Lysyk's conclusions, saying their financing structure wasn't intended to avoid a deficit.

The hydro plan came after bills in the province roughly doubled in the last decade, and widespread anger helped send Premier Kathleen Wynne's approval ratings to record lows.

It lowers time-of-use rates by removing from bills a portion of the global adjustment — a charge consumers pay for above-market rates to power producers — for the next 10 years.

In the meantime, producers will continue being paid the same, so Ontario Power Generation has been tapped to oversee the debt used to pay that difference through a new entity called OPG Trust.

That financing structure will cost an extra $4 billion, both the auditor and the financial accountability officer have concluded, as the OPG Trust will have to borrow at a higher rate than the province itself would have.

"In other words, to obscure the financial impact of the rate cuts on both the province's budgets and financial statements, the government plans to pay more than it has to," Lysyk said.

The cost of paying back the debt with interest will then go back onto ratepayers' bills for the following 20 years.

Lysyk estimated the cost will be $18.4 billion borrowed to cover the shortfall, and $21 billion in accumulated interest. The Liberals originally estimated the interest costs would be $25 billion, but have now revised that to $18.5 billion.

The end result of the "needlessly complex" financing structure is that the province's bottom line won't be affected, Lysyk said.

"Under the government's proposed accounting, you will not see that annual loss on any financial statements in Ontario," she said.

"The government's proposal is to treat that loss as an asset. That's like you treating your credit card debt as an asset in your books. Does that sound right to you?"

Treasury Board President Liz Sandals said credit rating agencies are ranking the hydro debt in preparation for selling it.

"That's the difference," she said. "Somebody actually wants to buy it, ergo it is an asset."

But Lysyk said it goes against Canadian public sector accounting standards, which say the interest expense and debt should be on the province's books.

The government said the financing is indeed in compliance with accounting standards. It decided the cost of cutting hydro bills should be borne by ratepayers and not taxpayers, which would have been the case if the province took on the debt rather than OPG Trust.

"The Fair Hydro Plan also keeps the cost of borrowing within the rate base, not the tax base, because that's the logical thing to do," Energy Minister Glenn Thibeault said. "Electricity financing should remain within the electricity system."

Third-party experts from KPMG, EY and Deloitte were consulted on the financing structure, Thibeault said.

This is the second accounting dispute between Lysyk and the Liberal government. She has said public sector pension surpluses should not be treated as a government asset, but the government disagreed and commissioned an expert panel that sided with it.

The Canadian Press

Ottawa Citizen: Reevely: Hiding billions in hydro debt 'unacceptabl
general says
ottawacitizen.com
Tue Oct 17 2017
Section: Local News
Byline: David Reevely, Ottawa Citizen

Hiding billions of dollars the Ontario government is borrowing to lower electricity bills for a few years will cost hydro users an extra $4 billion, the province's auditor general reported Tuesday morning.

Maybe worse, Bonnie Lysyk said in a special report on the Liberals' "Fair Hydro Plan,"((www.auditor.on.ca»)) the tricks the government is using throw doubt on all the province's books. The government, citizens, auditors and giant institutions that lend the province money are pretty much operating in a post-truth universe, where what the Liberals say is going on with Ontario's finances has begun to drift from any previously understood shared reality.

What the Liberals have done "would be unacceptable in the private sector, and we maintain that this is also unacceptable in the public sector," Lysyk reported. "If the consolidated financial statements are so unreliable that an adverse opinion is warranted, terms like 'balanced budget,' 'deficit,' 'asset' and 'net debt' will be meaningless."

Here's what's happening.

Earlier this year, Premier Kathleen Wynne gave up defending the increases in the price of electricity since the Liberals took over in 2003. She and her cabinet put together a plan to cut bills that amounted to paying today's costs with borrowed money and repaying it with interest later. It has already cut residential bills by an average of 25 per cent, beginning last summer. And it will increase them by a combined total of $21 billion over time, when all that interest has to be paid, according to a previous report by Ontario's financial accountability officer (whose job is specifically to run budget numbers independently of the government, and whose findings Lysyk used for her dollar figures).

The argument they make is that the investment in cleaner and more reliable power will benefit us for a long time, so we should pay for it over more years - that's "fairer." This is debatable but not obviously ludicrous. That additional "fairness" is costing $17 billion in interest, spread out over years.

The Liberals really, really, really wanted to keep that debt off their books, so they could also go into the next election saying the provincial budget is balanced. Borrowing billions in an election year would get in the way. So they did some advanced financial engineering to put the debt on Ontario Power Generation instead. The Crown corporation is publicly owned but it doesn't get interest rates as good as the provincial government itself, so that's where the $4-billion premium comes in.

Her team looked at emails from the upper reaches of several government ministries, though the Ministry of Energy kept some back, Lysyk's report says.

"Hopefully they'll come to the conclusion that it can be financed by the province ... rather than externally, as that would be a lot simpler and cheaper," she quotes one unnamed senior official, in an email.

Nope. OPG is borrowing the money on our behalf and then there's a complicated interplay of regulatory and financial manoeuvres to book money we're expecting hydro users to pay for electricity in the 2020s, '30s and '40s as assets that balance off the debt. The essence of the scheme is to say Ontarians are borrowing these billions of dollars as hydro ratepayers, not as voting citizens. Same people, different hats, different rules.

All of which is bull, Lysyk says. The point of accounting is to tell you how much money you have, how much you owe and how much you are owed. That's what the standards for Canadian public-sector accounting are supposed to achieve.

"These standards are there to ensure that the financial reporting of government policy decisions reflects common sense: borrowings are debt, unearned revenue is not an asset today and when your expenses exceed your revenues, you incur a deficit," Lysysk said Tuesday. Nobody has used electricity in 2025 yet, let alone 2040. You can't count guesstimates of use and prices 20 years down the line as an asset today.

The usefulness of doing so was visible when Energy Minister Glenn Thibeault and Treasury Board President Liz Sandals responded to Lysyk's report. They think the $4-billion estimate for the extra cost of hiding the debt is too high. They argue the gap between the government's interest rate and Ontario Power Generation's might not be as big as the financial accountability office thinks.

They could be right - we won't know for sure till the 2040s. So it's a bit weird to account for it as if it's a fait accompli.

The government even went shopping for different accounting standards it might use, Lysyk's report says, trying out rules used for private businesses in the United States because they seemed friendlier to what the Liberals wanted to do. Consulting firm Deloitte told the government this was OK, a position it repeated at the government's request on Tuesday after Lysyk released her report.

Maybe reasonable accountants can disagree about this. But the ground they're fighting over is whether the trick the Liberals used to keep the debt off the government books at a cost of billions of dollars is an acceptable trick, not whether they're keeping the debt off the government books or whether it's going to cost billions of dollars.

Which is just what you want from your government, right?

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Sudbury Star: Hydro plan costing us extra $4B: AG

By: The Canadian Press
Tuesday, October 17, 2017 2:26:35 EDT PM

http://www.thesudburystar.com/2017/10/17/hydro-plan-costing-us-extra-4b-ag

ntario government obscuring true financial impact of cuts to hydro bills: Auditor general

TORONTO — Ontario's auditor general says the way the Liberal government is cutting hydro bills by 25 per cent purposely obscures the true financial impact of the measure to avoid showing a deficit on the province's books.

Bonnie Lysyk estimates the plan's total cost will be $39.4 billion over 30 years, but the accounting the government is using in the plan means Ontario's net debt and future deficits won't reflect that.

The hydro plan lowers time-of-use rates by removing from bills a portion of the global adjustment, a charge consumers pay for above-market rates to power producers, for the next 10 years. In the meantime, producers will continue being paid the same, so Ontario Power Generation has been tapped to oversee the debt used to pay that difference.

The cost of paying back that debt with interest will then go back onto ratepayers' bills for the following 20 years, and Lysyk estimates the total cost will be $18.4 billion borrowed to cover the shortfall, and $21 billion in accumulated interest.

Lysyk says the financing structure is needlessly complex and also leads to about $4 billion in extra interest charges because the province isn't directly borrowing the money.

The government says it doesn't agree with Lysyk's conclusions, saying their financing structure is indeed in compliance with accounting standards. Premiere Kathleen Wynne has said the extra interest costs related to the plan would amount to $25 billion over 30 years.

Electricity bills in the province have roughly doubled in the last decade, due in part to green energy initiatives, and the government has said this plan better spreads out those costs, instead of putting the entire burden on current ratepayers.

PC Leader Patrick Brown called the Fair Hydro plan a "sham.

"This report comes on the heels of a secret leaked Wynne Liberal cabinet document that showed hydro rates will rise to the highest levels we've ever seen, and the Financial Accountability Officer's report which shows future generations could be on the hook for up to $93 billion. Brown accused the Liberals of:

• Overpaying $9.2 billion for green energy contracts which were awarded to energy companies which donated $1.3 million in donations to the Ontario Liberal Party.

•Creating a secret millionaires club at Hydro One, including paying the CEO $4.5 million

• Hiding the egregious cost of global adjustment on hydro bills

• Shelling out $7 billion to purchase an American coal-burning utility, instead of cutting hydro rates

• Wasting nearly $1 billion of surplus electricity last year alone.

Sault Online: Patrick Brown, Ontario PC Leader Issues Statement o

By: Content Team
October 17, 2017

https://saultonline.com/2017/10/patrick-brown-ontario-pc-leader-issues-statement-on-the-unfair-hydro-plan/

"Today, the Auditor General released a damning report on the Wynne Liberals' 'Unfair' hydro scheme.

"As a result of their shady accounting methods, and cooking the books for politically-motivated reasons, Ontarians are on the hook for $4 billion more than necessary.
"This 'Unfair' Hydro Plan was a re-election ploy. After years of energy mismanagement, this plan was too little, too late. We have seen hydro rates skyrocket to the highest across Canada, and if the Wynne Liberals are re-elected rates will only continue to soar.

"This report comes on the heels of a secret leaked Wynne Liberal cabinet document that showed hydro rates will rise to the highest levels we've ever seen, and the Financial Accountability Officer's report which shows future generations could be on the hook for up to $93 billion.

"This hydro scheme is a sham drafted to benefit the Wynne Liberals, not the people of Ontario. It proves yet again that the Liberals are only in it for themselves.
"Everything the Liberals have touched in the electricity sector has made life harder and more unaffordable, including:

Overpaying $9.2 billion for green energy contracts which were awarded to energy companies who donated $1.3 million in donations to the Ontario Liberal Party.

Creating a secret millionaires club at Hydro One, including paying the CEO $4.5 million

Hiding the egregious cost of global adjustment on hydro bills

Shelling out $7 billion to purchase an American coal-burning utility , instead of cutting hydro rates

Wasting nearly a billion of surplus electricity last year alone.

Using $5.5 million of taxpayer funds to run political self-congratulatory ads promoting the hydro plan, instead of cutting hydro rates

“Premier Kathleen Wynne is untrustworthy – especially when it comes to your hydro bills. Life is already harder under the Wynne Liberals – Ontario families are paying more, and getting less. Cynical Wynne Liberal re-election schemes are only going to make it worse.”

Sudbury.com Auditor: Liberal accounting moves costs Ontario $4B

By: Darren MacDonald
October 17, 2017

https://www.sudbury.com/local-news/auditor-liberal-accounting-moves-costs-ontario-4b-742335

Ontario's auditor general is slamming the Liberal government for a complicated accounting manoeuvre in its Fair Hydro Plan designed to make it look as though the province is balancing the books.

The problem, Bonnie Lysyk wrote in her report released Tuesday, is the accounting procedures will add an extra $4 billion in costs to the plan, on top of the almost $40 billion it will cost taxpayers by 2028.

“When governments pass legislation to make their own accounting rules that serve to obfuscate the impact of their financial decisions, their financial statements become unreliable,” Lysyk wrote in her report. “This is particularly concerning when a government states that it follows Canadian Public Sector Accounting Standards (PSAS) when in fact, the accounting rules being applied are actually not in accordance with Canadian PSAS.

“In essence, the government is making up its own accounting rules.”

The reason, the auditor wrote, was that from the beginning, the Liberals decided whatever hydro rate relief plan they came up with could not lead to the government running a deficit.

“The government set this as the mandate to the senior officials and private-sector external advisers designing the accounting and financing for the rate reduction,” she wrote.

To do this, the Liberals created something call the OPG Trust, basically a paper asset where the hydro deficit could be parked so it wouldn't show on the government's balance sheet. The government spent more than $2 million on private-sector advisers to help them craft the plan.

“When organizational structures and transactions are designed to remove transparency and accountability, and unnecessarily cost Ontarians billions of dollars, the responsibility of an auditor general is to apprise the Legislature and the public in accordance with the Auditor General’s mandate,” Lysyk wrote.

“After reviewing the information available to us, it is clear to us that the government’s intention in creating the accounting/financing design to handle the costs of the electricity rate reduction was to avoid affecting its fiscal plan. That is, the intention was to avoid showing a deficit in the province’s budgets and consolidated financial statements for 2017-18 to 2019-20, and to likewise show no increase in the provincial net debt.”

Nickel Belt MPP France Gélinas said even for this government, the auditor general's findings are shocking.

"Not only are we paying an extra $40 billion because we are deferring payments to later, but we are also paying $4 billion -- big numbers -- so that they could create this accounting thing that would not show up on the provincial budget as a deficit," Gélinas said. "Can you imagine? I have such a hard time coming to grips that a government would agree to spend that amount of money -- hydro payers money -- to not show a deficit.

"This is a new low, just because of the size of it. And I've covered some pretty low spots," she said, referring to the Ornge scandal, the gas plant scandal and the eHealth scandal. "The only purpose (the OPG Trust) serves is to not show a deficit. Really?"

In a statement, Sudbury MPP and Energy Minister Glenn Thibeault disagreed with Lysyk's conclusions.

“I thank the Office of the Auditor General for its report on Ontario’s Fair Hydro Plan,” the statement begins. “However, the government does not agree with the assertions and conclusions of the report.”

Thibeault said the province has been making huge investments in the energy grid, and while they have driven hydro rates up, they also have created a reliable and cleaner energy system.

“The Fair Hydro Plan smooths the cost of those investments out over a longer period of time,” the statement said. “This means that those benefitting from the investments we’ve made will be the ones paying for them. And that’s fair.

“The accounting practices in the Fair Hydro Plan are well-established, and well-recognized within the industry. In fact, six of eight other independent system operators – AESO in Alberta, ISO in New England, NYISO in New York, MISO in Minnesota, PJM in the Midwest and Eastern Seabord, and ERCOT in Texas – use a rate regulated accounting structure. And it’s a common practice for companies like Toronto Hydro, Hydro One, and Fortis.”

The accounting policies were designed and reviewed by senior staff from the Ministry of Energy, Ministry of Finance, Treasury Board Secretariat, Office of the Provincial Controller, Cabinet Office, the Ontario Financial Authority, the Independent Electricity System Operator, and Ontario Power Generation, the statement said.

And third-party experts from firms such as KPMG, E&Y, and Deloitte were also consulted by government and its agencies on the structure of the accounting.

“These are policy choices we made to ensure that we continue to have a clean, reliable affordable electricity system for the ratepayers of today, and the ratepayers of tomorrow. That’s exactly what the Fair Hydro Plan has done, and what it will continue to do into the future.”

Read Lysyk's full report here.

CBC News: Auditor general blasts Kathleen Wynne's 'Fair Hydro P
CBC.CA News
Tue Oct 17 2017, 11:30am ET
Section: Toronto
Byline: CBC News

The Wynne government created a "needlessly complex" scheme to pay for its hydro rate cuts without showing the costs on its own bottom line, Ontario's auditor general said in a critical report released Tuesday.

Auditor General Bonnie Lysyk investigated the financing of what the Ontario Liberals call the "Fair Hydro Plan." The plan has reduced the average household electricity bill in the province by 25 per cent from the peak in the summer of 2016.

Lysyk said the government is "improperly" accounting for the $26 billion in debt the province is taking on to cut hydro bills in the short term.

The $26 billion is being borrowed through Ontario Power Generation, so will not appear on the province's books. Electricity customers will pay off that debt through rate increases spread out over the next 30 years.

The government chose that financing scheme "to keep deficits and an increase in net debt from showing up on the Province's books," Lysyk said in the report, tabled Tuesday morning in the Legislature.

"The government created a needlessly complex accounting / financing structure for the electricity rate reduction in order to avoid showing a deficit or an increase in net debt," writes Lysyk .

The auditor says the plan could also result in Ontarians paying "up to $4 billion more than necessary" in interest. That's because OPG will be required to pay higher interest rates than the province would if the government took on the debt directly.

Rate cut won't last: Lysyk

The hydro rate cuts will not last, Lysyk found. "From 2028 on, ratepayers will be charged more than the actual cost of the electricity being produced in order to pay back the borrowings," she said in the report.

"The improper accounting also inappropriately transfers long-term accountability for significantly higher electricity bills to future governments," writes Lysyk. "Future governments will have to explain to ratepayers why electricity rates charged in 2028 and beyond exceed the actual cost of electricity."

The Wynne government is already trying to dismiss all of the auditor's findings.

"The government of Ontario does not agree with the assertions and conclusions expressed in the report," said an official response issued together with the auditor's report.

Ontario's financial accountability officer has already described the scheme as a "complicated accounting structure" that will increase gross debt by approximately $26 billion by 2027-28, but not show any impact on the government's books.

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CBC News Ontario auditor examines Liberal plan to cut hydro bi

CBC.CA News
Tue Oct 17 2017, 5:00am ET
Section: Toronto
Byline: CBC News

Premier Kathleen Wynne's move to reduce hydro bills in Ontario with an election looming goes under the auditor general's microscope today.

What the Ontario Liberal government calls its "Fair Hydro Plan" has brought down the average household electricity bill by 25 per cent from the peak it hit in the summer of 2016. The Wynne government has committed to keep rate increases below inflation for the next four years, but admits bills will rise significantly in the decade that follows.

- Wynne slashes hydro rates, but Ontarians will pay for it later

- How your hydro bill will rise over the next decade

Auditor General Bonnie Lysyk will reveal the results of her investigation Tuesday into how the rate cuts are financed, and whether the plan is fair for taxpayers and hydro customers.

The government is financing the lower hydro bills by borrowing an extra $26 billion through Ontario Power Generation. Electricity customers will pay off that debt over the next 30 years.

"This is like remortgaging our house," Energy Minister Glenn Thibeault told reporters Monday at Queen's Park. "I've always said that the Fair Hydro Plan was a fair plan; it was the best plan we could come up with when we were talking with energy experts, accounting experts, the legal experts."

- Wynne defends plan to 'spread out' hydro costs

The auditor has already expressed concerns that the government is not showing that $26 billion in debt on its books. making the province's bottom line look healthier than it really is.

"It is the government needing to borrow money to cover the difference between what they're collecting from ratepayers and what they're paying to the power producers," Lysyk told a legislative committee in May. She said it's "contrary to public sector accounting standards" to move the debt off the province's books and onto OPG's.

The opposition parties are focused on the short-term nature of the Liberals' hydro rate relief.

"They've done nothing to actually reduce the actual cost of electricity," said PC energy critic Todd Smith in an interview Monday. "All they're doing is implementing a stop-gap measure that's going to cost us billions more in return, and a return to record high electricity prices after we get past the next election."

- Liberals spending $5.5 million in public money advertising hydro price cuts

"The relief is absolutely temporary," NDP leader Andrea Horwath told reporters. "In very short order the bills are going to start going back up again because what the government did was bought some short-term pain relief for longer term pain for the people of Ontario."

Ontario's auditor general has frequently examined the costs of the hydro system. Two years ago, Lysyk concluded customers have spent $37 billlion more on electricity over the past eight years than the market rate. Previous special reports by the auditor probed the true costs of cancelling the Mississauga and Oakville gas power plants.

Another independent watchdog, Ontario's financial accountability officer, crunched the numbers in May on the Fair Hydro Plan and projected the net cost to taxpayers will be $21 billion.

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Global News Customers could pay steep price for Ontario’s hydr

By: Brian Hill
October 17, 2017 6:00 pm

https://globalnews.ca/news/3809116/ontario-hydro-audit-rising-cost/

Ontario’s Auditor General, Bonnie Lysyk, is warning Ontarians to brace themselves for increasing hydro rates as a result of Premier Kathleen Wynne’s Fair Hydro Plan.

According to a special report released Tuesday, the price of the Liberal’s “needlessly complex” solution to rising energy costs in Ontario could be as much as $39.4 billion – more than twice the government’s estimate.

“The substance of the issue is straightforward,” said Lysyk in the report. “Ratepayers’ hydro bills will be lower than the cost of the electricity used … However, power generators will still be owed the full cost of the electricity they supply.”

According to the report, the government will have to borrow $18.4 billion to cover the discounts promised to electricity customers over the next decade. The government will then need to pay out an additional $21 billion in interest over the next 30 years for borrowing this money.

The report also said the structure of the plan – which Lysyk claims violates the government’s own accounting rules – creates the need to pay $4 billion in additional interest charges.

According to Lysyk, this is because OPG Trust – the provincially owned company created to manage the hydro plan – will pay a higher interest rate than if the government had simply borrowed the money itself.

“It’s going to cost us more in the long run in order to save in the short-term,” said Brady Yauch, an economist and the executive director of the Consumer Policy Institute. “It’s not even a band-aid solution because band-aid solutions help something heal, and this is just going to make things worse.”

The government says Lysyk’s assertions are inaccurate and do not reflect the most up-to-date information. It also disagrees with the findings of the report and says all Ontarians will benefit from short-term relief from rising electricity costs.

“While total borrowing costs will not be known until the program is complete, accumulated interest is projected to be considerably less than the estimates in the report,” said the government response to Lysyk’s report. “Current government estimates forecast the peak debt over the thirty-year life of the [Fair Hydro Plan] will be $20 billion.”

This is roughly half of what Lysyk has predicted. She says while Ontarians will benefit from lower electricity costs over the next decade, bills will quickly skyrocket once it's time to pay back all that borrowed money.

Meanwhile, Yauch says he has opposed the plan from the beginning because it does nothing to reduce the cost of electricity in Ontario. (This is true. The plan only subsidizes electricity rates without actually addressing any of the factors that led to increased costs in energy production.)

He also says the era of second, sober thought with respect to energy policy in the province is gone, and that this plan has essentially ended independent oversight of the province's electricity sector.

"People will get what they have been clamouring for, but in the long run, you're not actually lowering costs," he said.

Instead of subsidizing electricity with borrowed money, Yauch says the government should start looking at the possibility of cancelling some of the long-term energy contracts it has with electricity producers.

If that fails, he says the government should just admit the errors it's made and tell Ontarians.

"Look, we made a mistake and you have to pay for it," said Yauch.

Opposition reacts

Ontario's opposition parties were quick to respond to the auditor's report, focussing on the $4 billion in extra interest charges Lysyk says will be needlessly incurred.

"The Auditor General in the report is scathing," said PC Leader Patrick Brown. "The government is making up their own rules for accounting … This is well beyond the size of the gas plant scandal. This is an astonishing number — $4 billion Ontario families are going to have to struggle to pay."

The NDP, meanwhile, accuses the Liberals of misleading Ontarians in the lead up to an election.

"After the [June 2018] election, bills are going to shoot up like a rocket because they're just spending this extra money to make the bills look good now," said Peter Tabuns, the NDP energy critic. "They don't care what happens after the election."

Glenn Thibeault, Ontario's energy minister, denies all of these accusations. He says the government has been honest about its plan from the beginning and never once mislead anyone.

"We've always said that we were using this like we were remortgaging a house," said Thibeault. "We always said it's going to take longer to pay off and it's going to cost more."

Yauch, meanwhile, says it's time for the government to own up to its mistake and start making some tough decisions.

"There's no other way around it," he said. "All this does is say 'Well, for the next 10 years your bill is going to be lower than it was previously, but don't worry, for the next 20 years it will be higher than we thought. That's not a very promising proposition if you ask me."

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City News: Auditor general set to report on Ontario's 25 per cent

By: City News
TUESDAY, OCT 17TH, 2017

http://www.bttoronto.ca/2017/10/17/auditor-general-set-to-report-on-ontarios-25-per-cent-hydro-bill-cuts/

Ontario's auditor general is set to report today on the Liberal government's 25 per cent cuts to hydro bills, which came after increasing anger over rising prices.
It's safe to say auditor general Bonnie Lysyk's report will not be a favourable one, as she has indicated it is titled, "The Fair Hydro Plan: Concerns About Fiscal Transparency, Accountability and Value for Money."

The hydro plan lowers time-of-use rates by removing from bills a portion of the global adjustment, a charge consumers pay for above-market rates to power producers, and for the next 10 years, a new entity overseen by Ontario Power Generation will take on debt to pay that difference.

Ontario's financial watchdog has said that plan means hydro customers will be paying a net $21 billion over the next three decades to get short-term savings.

Lysyk has also previously said having OPG manage that means there will be no impact on the province's net debt – currently at about $312 billion – and she has suggested it may have been structured that way on purpose.

Energy Minister Glenn Thibeault has said OPG has expertise in managing hydro-related debt.

Metro Toronto Ontario's financial watchdog sounds alarm over hy

By: Torstar News Service
Tue Oct 17 2017

http://www.metronews.ca/news/toronto/2017/10/17/ontario-financial-watchdog-sounds-alarm-over-hydro-rate-cut.html

Ontario's financial watchdog is sounding the alarm over the Liberal government's 25-per-cent cut in residential electricity rates.

Auditor general Bonnie Lysyk estimates the scheme, unveiled last May, could cost Ontarians an additional $4 billion in interest charges over the next 30 years.

In Lysyk's latest salvo against the provincial government over a continuing accounting dispute, she expressed concern about how the hydro rebate will appear on the books.

"The accounting proposed by the government is wrong, and, if used, would make the province's budgets and future consolidated financial statements unreliable," the auditor general said Tuesday.

"This cannot be taken lightly."

Her comments came as she tabled a 53-page special report on the Liberals' "Fair Hydro Plan."

Lysyk's concern about the plan echoes that of province's financial accountability officer who predicted in May that it will cost the province $45 billion over the next 29 years while saving ratepayers $24 billion for a $21-billion net expense.

Facing a massive outcry over soaring hydro rates in many parts of the province, Premier Kathleen Wynne moved forward with the generous rebates.

As of Jan. 1, Wynne removed the 8-per-cent provincial portion of the harmonized sales tax from electricity bills.

That was followed up by an additional 17-per-cent cut that took effect over the summer.

The government has justified borrowing money to pay ratepayers by likening it to refinancing a mortgage to enjoy lower payments over a longer time on nuclear reactors, natural gas-fired power plants, and wind turbines.

Lysyk estimated that could mean an extra $4 billion in interest charges over the next 30 years.

The charges are extra, because the province will not borrow all the money directly, doing so, instead, through a complex financial structure that includes Ontario Power Generation, among other Crown agencies.

"Internal records show that senior government officials were aware their approach to borrowing could result in Ontarians paying significantly more than necessary," the auditor general said.

But a 56-page KPMG analysis prepared for the Independent Electricity System Operator (IESO) concluded the government’s accounting was fine.

In a 1,037-word rebuttal included at the end of Lysyk’s report, the government disputed her findings.

“The government of Ontario does not agree with the assertions and conclusions expressed in the report. (This) is delivering the single-largest reduction in electricity rates in the province’s history,” the Liberal government responded.

“In developing (this), the government considered a range of implementation options and consulted with legal, accounting, financial and energy sector third-party experts to provide advice and ensure due diligence was completed,” it said, noting it operates “under a financial and accounting framework that is appropriate for the intended purpose and in accordance with
Public Sector Accounting Standards (PSAS) and ensures that the fairness goals underlying the program are achieved in a cost-effective manner.”

The province also rejected some of Lysyk’s base assumptions in her report.

“Since 2003, nearly $70 billion has been invested in the electricity system, including more than $37 billion in electricity generation to ensure the system is clean and reliable,” the government said.

“The majority of the province’s electricity generators operate under 20-year contracts. Despite the report’s assertion that it is ‘not at all’ certain if these generating assets will be operating beyond their contract lives, third-party experts have confirmed that many of these generators will be able to continue to operate,” it said.

“This means that generating assets are expected to have ongoing useful life and benefit future ratepayers by reducing the need to finance the development of new generating assets.”

As well, the province said that the so-called “peak debt” of the 30-year life of the Fair Hydro Plan has been adjusted downward from $28 billion in March to around $20 billion.

Lysyk has been sparring with the government over accounting practices for more than a year.

The original actuarial dispute stemmed from a difference of opinion over whether the government should include, in its bottom line, its share of assets from the teachers’ and public servants’ pension funds that it co-sponsors.

A government-appointed panel of accounting experts sided with Queen’s Park that the pension assets should be allowed to count toward the bottom line.

Bayshore Broadcasting: Auditor General slams Wynne government.

By: Kevin Bernard
Tuesday, October 17, 2017

http://www.bayshorebroadcasting.ca/news_item.php?NewsID=96736

Ontario's Auditor General has taken a swipe at the Kathleen Wynne government, saying it is obscuring the true cost of hydro rate cuts.

Bonnie Lysyk estimates the "Fair Hydro Plan" may be cutting electricity bills for homeowners by 25 percent but it is costing 39.4 billion dollars over 30 years.

Lysyk says the government is "improperly" accounting for the debt that the province is taking on by cutting hydro bills now.

She says the government chose a financing scheme that keeps deficits and an increase in net debt from showing up on the Province's books.

The Wynne government is already trying to dismiss all of the Auditor General's findings.

An official says the government of Ontario does not agree with the assertions and conclusions expressed in her report on Tuesday.

The hydro plan lowers time-of-use rates by removing from bills a portion of the global adjustment – a charge consumers pay for above-market rates to power producers – for the next 10 years.

In the meantime, producers will continue being paid the same, so Ontario Power Generation has been tapped to oversee the debt used to pay that difference through a new entity called OPG Trust.

Bay Today: Government cooked the books on hydro claims MPP

By: BayToday Staff
October 17, 2017

https://www.baytoday.ca/local-news/government-cooked-the-books-on-hydro-claims-mpp-742068

"Ontario's Auditor General has issued a clear condemnation of the Wynne government's 'Unfair' hydro scheme," Nipissing MPP Vic Fedeli said today.

"As a result of 'incorrect' accounting methods, and cooking the books for politically-motivated reasons, Ontarians are on the hook for $4 billion more than necessary," said Fedeli.

The Auditor said the government knew beforehand this would cost families more money than stated, but they did this to cover-up their tracks, he added.

"The accounting proposed by the government is wrong and if used would make the Province's budgets and future consolidated financial statements unreliable," Auditor General Bonnie Lysyk said in her report.

This report comes on the heels of a leaked cabinet document that showed hydro rates will rise to the highest levels ever, and the Financial Accountability Officer's report which shows future generations could be on the hook for up to $93 billion in hydro costs.

Canoe: Ontario Fair Hydro Plan a $39.4B electric shock for taxpa

By: ANTONELLA ARTUSO, POSTMEDIA NETWORK
Oct 17, 2017, Last Updated: 5:23 PM ET

http://cnews.canoe.com/CNEWS/Canada/2017/10/17/22759234.html

The Kathleen Wynne government's desire to keep the true cost of its Fair Hydro Plan off the province's books exposes Ontarians to an extra — and unnecessary — $4 billion in interest costs, auditor general Bonnie Lysyk says in a special report.

"This accounting proposed by the government is wrong and if used would make the province's budgets and future consolidated financial statements unreliable," Lysyk said in a statement. "This cannot be taken lightly."

The damning report looks at the Wynne government's plan to reduce hydro rates by 25%, in part by extending the payback period on various energy assets.

The total cost of reduced hydro rates?

According to Lysyk, who ran her numbers past other auditors, it's $39.4 billion, including the extra $4 billion in interest costs that would not have occurred if the government had borrowed the funds directly.

Internal records show that senior government officials were aware their approach to borrowing could result in Ontarians paying significantly more than necessary," Lysyk said.

The Ontario government can access funds at a lower rate of interest than other government entities, but the Fair Hydro Plan is structured to borrow money through agencies such as Ontario Power Generation (OPG).

Energy Minister Glenn Thibeault is expected to respond to the report later Tuesday.

The Fair Hydro Plan reduced the average residential hydro bill by 25%, including a break on the provincial portion of the HST, and promises to hold increases to the rate of inflation for four years.

Newswire: *Auditor General Says Provincial Government Plans to*
Impact of Electricity Rate Cuts

By: Office of the Auditor General of Ontario
October 17, 2017 10:56 ET

http://www.newswire.ca/news-releases/auditor-general-says-provincial-government-plans-to-obscure-the-financial-impact-of-electricity-rate-cuts-651270823.html

TORONTO, Oct. 17, 2017 /CNW/ - In a Special Report, the Auditor General says the government created an unnecessary, complex financing structure to keep the true financial impact of most of its 25% electricity-rate reduction off the Province's books—a decision that could cost Ontarians up to $4 billion more than necessary in interest costs over the next 30 years.

The Province is proposing to use accounting that does not follow its own policy for preparing financial statements under independently set Canadian Public Sector Accounting Standards. This hides the real financial impact of the government's electricity rate reduction from Ontarians by understating future annual deficits and net debt.

"The accounting proposed by the government is wrong and if used would make the Province's budgets and future consolidated financial statements unreliable," said Bonnie Lysyk after the report was tabled. "This cannot be taken lightly."

"We're not questioning the government's policy decision to give Ontarians a discount on their electricity rates. What we are questioning is how the government is going to report the effects of that decision to the people of Ontario. There's still time to fix it, and we're encouraging the government to do so."

In reaching its conclusions, the Office of the Auditor General obtained extensive advice from Canada's current Auditors General, a former Auditor General of Saskatchewan and British Columbia, and external advisers, including the recently retired Director of the Canadian Public Sector Accounting Board.

The Special Report, titled The Fair Hydro Plan: Concerns about Fiscal Transparency, Accountability and Value for Money, examines in detail the "needlessly complex" financing structure the Ontario government created to achieve the accounting result it desired.

According to the Financial Accountability Office of Ontario, the total cost of the Fair Hydro Plan's electricity rate reduction is estimated to be $39.4 billion over 30 years, including about $4 billion in extra interest charges. These charges are "extra" because the Province does not plan to borrow all the money directly. Instead, the financial structure the government designed has other government entities, including Ontario Power Generation, borrowing at higher interest rates.

"Internal records show that senior government officials were aware their approach to borrowing could result in Ontarians paying significantly more than necessary," Lysyk said.

The Special Report recommends the government report the true financial impact of its electricity rate reduction plan in the Province's budgets and consolidated financial statements, and use the least costly financing structure to fund the electricity-rate reduction.

Visit www.auditor.on.ca to read the Report

The Office of the Auditor General is an independent office of the Legislative Assembly serving all Members of the Assembly and the citizens of Ontario. Under the Auditor General Act, the Office audits the Government's accounting for and use of public money.

SOURCE Office of the Auditor General of Ontario