

RE: Flagging - Globe Reporter Matt McClearn

From: "Hadisi, Lawvin (TBS)" <lawvin.hadisi@ontario.ca>
To: "Bevan, Andrew (OPO)" <andrew.bevan@ontario.ca>, "Gallant, Gabrielle (OPO)" <gabrielle.gallant4@ontario.ca>, "@OPO-Media Relations and Issues Management" <opo-mediarelationsandissuesmgmt@msgov.gov.on.ca>, "Berry, James (ENERGY)" <james.berry5@ontario.ca>
Date: Wed, 25 Apr 2018 15:26:07 -0400

Correct – Minister McMahon with the Globe and Mail.

From: Bevan, Andrew (OPO)
Sent: April 25, 2018 3:24 PM
To: Hadisi, Lawvin (TBS); Gallant, Gabrielle (OPO); @OPO-Media Relations and Issues Management; Berry, James (ENERGY)
Subject: Re: Flagging - Globe Reporter Matt McClearn

This is min mcmahon? Very good.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Hadisi, Lawvin (TBS)
Sent: Wednesday, April 25, 2018 2:56 PM
To: Gallant, Gabrielle (OPO); @OPO-Media Relations and Issues Management; Berry, James (ENERGY)
Cc: Bevan, Andrew (OPO)
Subject: RE: Flagging - Globe Reporter Matt McClearn

Transcript below.

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Reporter: Why is it in the public interest to report for the Fair Hydro Plan the way that you have?

A: I am going to back up a little bit and talk about the hydroelectric system and the decisions that we made...

Reporter: That is not what I am asking.

A: No I know. Can I get there? Can you give me the opportunity to get there? I will get there and you can come at me if I don't. But it helps me to help you if I can contextualize it. If you don't mind. It's easier for me. So, we made a policy decision to take the investments that we made in the hydroelectric system start in 2003 that were significant. Yes, it created a cost but at the same time we are creating an asset and so we decided because we wanted to get relief to rate payers because people were telling us the cost of their hydro was becoming [inaudible]. And there were certain inequities in the system, people in northern Ontario, people in rural Ontario those of us who have cottages for example were paying significantly more. And so in order to leverage that asset that we had created we made a decision to create the Fair Hydro Plan which as you know so well has meant that would

take the cost associated with creating that asset and spread them out over a number of generations because those people are also going to benefit from the investments that we made. So it's not just the people now who are benefiting from the asset, but it's an asset that will generate significant value for years to come. So that is why in response to your question in our view it was a responsible decision to create the asset, spread the cost over time and to charge the people who are going to realize the benefit of that asset. That is why we made the decision that we did.

Reporter: Why not...provided the rate relief and borrow in the most efficient way and report it on the province's books?

A: So this is all reported on the province's books - I am going to push back with you a little bit on that one. This is all transparent. When we created the Pre-Election Report back in 2004, in response to a government that hid a \$6B deficit from the Ontario public. And we haven't done that nor will we ever. And this is legislation and the report that has been done today ensures that. In perpetuity, people will know unless future government decides not to do it or cancel the legislation, we will not. We made that decision, so the notion that we aren't being transparent or we aren't being forthcoming is absolutely incorrect. And I will get back to the fact that the AG and me have a difference of opinion. It is at its core a difference in opinion on how assets should be treated and we have two broad areas of disagreement.

Reporter: and expenses.

Back to answer: And we have two broad areas of disagreement. One having to do with the Fair Hydro Plan and one having to do with pensions. Of note there are other jurisdictions in Canada and in fact in North America that also use rate-regulated accounting. And....

Reporter: Do any of those report under PSAS?

A: Those auditor generals have also rendered decisions in disagreement by the way. There is disagreement that happens, when we went out with the plan, when we created the plan that we did we did significant conversations and consultations with the major accounting firms.

Reporter: Interestingly not with the Auditor General, why not?

A: I would have to ask the Minister of Energy that question because what I can tell you is that we decided...the AG is the ways in on the state of our finances that we decided to go outside and get some opinions from world class accounting firms to tell us if we were headed in the right direction. The AG has rendered her opinion, we are aware of it now and I don't see that changing over time. Largely because it comes back to a difference in accounting treatment. We respect her, we respect her opinion, we do not share it. As often the case, accountants can disagree about the treatment of assets and expenses. On the bottom line this is an instance where we got opinions from auditors, different opinions from the auditor general. I think it's important to realize that the reason that we did, the way we went that we did was because we looked at an issue of fairness. And this for us is about fairness, fairness for the rate payer, fairness for future generations, fairness in accounting the asset and creating the asset.

Reporter: Did the government know that the Auditor General was going to object before the IESO released its statement in March 2017?

A: I don't know.

Reporter: This is an important question. Let me tell you why. The Auditor General says she was deliberately [inaudible].

A: Well that's her opinion.

Reporter: No - she says it's based on evidence. Emails that I do not have access to. Your government said that you did not predict what she was going to do. But this is critical. It goes into what...an honest and open relationship...

A: We have an honest and open relationship with the AG. I met with her yesterday, Minister of Finance met with her yesterday. What did I talk to her about? Ongoing communication, how pleased I was for having the chance to meet, how important it is to have those doors opened. She agreed. We had a very good conversation between two professionals. We have always had a professional relationship with the AG. And that will never change. It has been professional from Day 1, it has been professional with my officials.

Reporter: She very much disagrees with that.

A: We have an open door policy. And again, she can disagree. We are going to disagree on stuff.

Reporter: Why was she kept in the dark?

A: No she wasn't kept in the dark. I want to go back to this again. I am not. We are not making this a personal thing. This is not about personalities. This is about differences in accounting treatments between professionals. And they disagree. That is what is at the core of this. Professional disagreements. I will leave it at that.

From: Gallant, Gabrielle (OPO)

Sent: April 25, 2018 12:48 PM

To: @OPO-Media Relations and Issues Management; Berry, James (ENERGY)

Cc: Bevan, Andrew (OPO); Hadisi, Lawvin (TBS)

Subject: Flagging - Globe Reporter Matt McClearn

Hi there –

Flagging that the Globe reporter who wrote the longread this past weekend aboutieso accounting was at QP today. He asked to for a one on one on the PER, which Alicia and Lawvin facilitated, and then pivoted to aggressive questions on rate regulated accounting. Transcript to come from Lawvin.

Gabrielle Gallant

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Special Advisor | Office of the Premier