# RE: Media Request - Globe and Mail

**From:** "Nekolaichuk, Colin (ENERGY)" <colin.nekolaichuk@ontario.ca>
**To:** "McPhail, Blane (OPO)" <blane.mcphail@ontario.ca>, "Hadisi, Lawvin (TBS)" <lawvin.hadisi@ontario.ca>, "Lazarus, Jordan (OPO)" <jordan.lazarus@ontario.ca>
**Cc:** "Rubin, Jack (TBS)" <jack.rubin@ontario.ca>, "Gallant, Gabrielle (TBS)" <gabrielle.gallant@ontario.ca>, "Berry, James (ENERGY)" <james.berry5@ontario.ca>, "@OPO-Media Relations and Issues Management" <opo-mediarelationsandissuesmgmt@msgov.gov.on.ca>
**Date:** Fri, 09 Mar 2018 12:33:32 -0500
**Attachments:** ENERGY response - Globe and Mail media inquiry.docx (29.4 kB); TBS response - Globe and Mail inquiry.docx (20.75 kB); OFHP - Media Briefing - Mar 2 2017.pdf (570.04 kB); OFHP - Media Briefing - Oct 17 2017.pdf (255.89 kB); Technical Briefing OFHP - Feb 6 2017.pdf (1.21 MB); Deloitte statement.pdf (95.53 kB)

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Hi Blane,

Here's what we propose sending to Matt at The Globe. We're just checking on the language around the accounting firms, so that might need to be adjusted. Another piece we could potentially add is the debt to capita ratio chart in provincial electricity systems, which puts us on the low half of the scale. Though it might be overkill (I'll actually have to send two emails because of all the attachments). Happy to discuss.

Hi Matt,

Thanks again for your inquiry. Apologies for the delay, I was away last week.

Attached you'll find answers to your questions regarding the involvement of Treasury Board officials in development of the Fair Hydro Plan, as well as answers to your questions with respect to Global Adjustment refinancing.

Here's a timeline of milestones, reporting and communications on the Fair Hydro Plan:

- March 2, 2017 – Officials from the Ministry of Energy, Independent Electricity System Operator, Ontario Power Generation and Hydro One, provide a technical briefing to media on the Fair Hydro Plan policy and financing structure (deck attached)
  - Sample media coverage:
    - Toronto Star: Hydro rate increases will be held to rate of inflation after 25-per-cent cut (https://www.thestar.com/news/queenspark/2017/03/02/hydro-rate-increases-will-be-held-to-inflation-after-25-cut.html)
- May 24, 2017 – Ontario's independent Financial Accountability Officer released its report on the fiscal impact of the Fair Hydro Plan
  - Sample media coverage:
    - The Globe and Mail: Ontarians can expect higher hydro bills to repay short-term relief: FAO (https://www.theglobeandmail.com/news/national/ontario-hydro-bills-electricity-costs/article35096250/)
- October 17, 2017 – Officials from the Ministry of Energy, Treasury Board Secretariat, Ontario Power Generation, Independent Electricity System Operator and a representative from KPMG held a technical briefing responding to the Auditor General's Special Report on the Fair Hydro Plan (deck attached)
  - Sample media coverage:
    - Toronto Star: Ontario's 25-per-cent cut to hydro rate carries $4B pricetag: watchdog (https://www.thestar.com/news/queenspark/2017/10/16/ontarios-

financial-watchdog-sounds-alarm-over-hydro-rate-cut.html)

- February 6, 2018 – OPG provides a technical briefing on the Fair Hydro Trust's First Debt Offering (deck attached)
    - Sample media coverage:
        - QP Briefing: Debt markets show approval for Fair Hydro Plan financing (http://www.qpbriefing.com/2018/02/06/debt-markets-show-approval-fair-hydro-plan-financing/)

In relation to your questions on consultation with third-party accounting experts, I will send through two accounting opinions from KPMG separately. The first is an initial report provided to IESO in May 2017, reflecting KPMG's opinion on PSAS and the Fair Hydro Plan. The second is the opinion provided to the Auditor General by KPMG, addressing her specific questions on PSAS as it relates to the Fair Hydro Plan. Neither of these documents has been shared widely, but has been offered to journalists on background to help illustrate the nature of the accounting dispute.

Deloitte was also engaged by KPMG to provide an opinion on PSAS – a summary of the report is also attached here. EY is OPG's accountant of record, and is regularly consulted on their finances.

If you have any additional questions, please don't hesitate to reach out.

Best,
Colin

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**From:** McPhail, Blane (OPO)
**Sent:** March-08-18 3:55 PM
**To:** Nekolaichuk, Colin (ENERGY); Hadisi, Lawvin (TBS); Lazarus, Jordan (OPO)
**Cc:** Rubin, Jack (TBS); Gallant, Gabrielle (TBS); Berry, James (ENERGY); @OPO-Media Relations and Issues Management
**Subject:** RE: Media Request - Globe and Mail

Hey – thanks for the chat earlier. How goes this?

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**From:** Nekolaichuk, Colin (ENERGY)
**Sent:** March-07-18 5:31 PM
**To:** Hadisi, Lawvin (TBS); Lazarus, Jordan (OPO)
**Cc:** Rubin, Jack (TBS); Gallant, Gabrielle (TBS); Berry, James (ENERGY); @OPO-Media Relations and Issues Management
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Thanks Lawvin.

Quick update here. We're assembling our ideal package but need to check on a couple items. We'll get this over ASAP.

Cheers,
Colin

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Hadisi, Lawvin (TBS)
**Sent:** Wednesday, March 7, 2018 5:15 PM
**To:** Lazarus, Jordan (OPO)
**Cc:** Rubin, Jack (TBS); Gallant, Gabrielle (TBS); Berry, James (ENERGY); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
**Subject:** RE: Media Request - Globe and Mail

Colin and I just chatted. I will connect the reporter to Colin who will take it from there.

Thanks everyone.

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**From:** Lazarus, Jordan (OPO)
**Sent:** March 7, 2018 4:58 PM
**To:** Hadisi, Lawvin (TBS)
**Cc:** Rubin, Jack (TBS); Gallant, Gabrielle (TBS); Berry, James (ENERGY); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
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Circling back on this Energy is going to share the below statement with the reporter on behalf of the government as well as provide other docs that explain the plan. Lawvin can you connect with Colin to transfer over the request.

Let me know if there are any concerns with this approach

Statement

Ontario's Fair Hydro Plan, a plan that lowers electricity prices for all Ontarians on average by 25% was developed by the Ministry of Energy. Officials from Treasury Board, Finance, OPG, IESO and the Ontario Financing Authority along with external advisors that included Ernst and Young, KPMG and Deloitte worked on the accounting related to the Fair Hydro Plan. They along with the Office of the Provincial Controller ensured that this plan was in accordance with Public Sector Accounting Standards. It's also important to note that the accounting treatment used in this plan is used in jurisdictions across North America including Alberta, New England, New York, Minnesota and Texas.

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**From:** Lazarus, Jordan (OPO)
**Sent:** March 7, 2018 2:36 PM
**To:** Hadisi, Lawvin (TBS)
**Cc:** Rubin, Jack (TBS); Gallant, Gabrielle (TBS); Berry, James (ENERGY); Nekolaichuk, Colin (ENERGY); @OPO-Media Relations and Issues Management
**Subject:** RE: Media Request - Globe and Mail

Adding the group

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**From:** Hadisi, Lawvin (TBS)
**Sent:** March 7, 2018 2:31 PM
**To:** Lazarus, Jordan (OPO)
**Cc:** Rubin, Jack (TBS); Gallant, Gabrielle (TBS); Berry, James (ENERGY); Nekolaichuk, Colin (ENERGY)
**Subject:** Media Request - Globe and Mail

Hi Jordan,
We got a request from Globe and Mail last week after SCOPA about FHP. I have cc'd

Energy who can provide feedback. Their office also received a request from the same reporter so I want to make sure we are all on the same page when it comes to messaging.

Let me know if you have any questions or concerns.

Best,

Lawvin

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**Request:**

Who were the senior decision-makers at Treasury Board responsible for the accounting/financial structure with the Fair Hydro Plan? And what were their roles in establishing the accounting/financial structure?

The Hansard of the proceedings of the Standing Committee on Estimates on Oct. 24, 2017 indicates Ms. Sophie Kiwala said the following:

> Our plan has been approved by the peers of the Auditor General at some of Canada's top accounting firms, including Ernst and Young, KPMG and Deloitte. In the development of the fair hydro plan, we also consulted with numerous third-party advisers in the application of accounting standards. IESO's management, IESO's audit committee, IESO's board of directors, IESO's external auditor and the Office of the Provincial Controller all support this accounting treatment.

Who at the Office of the Provincial Controller signed off on the financial/accounting structure of the Fair Hydro Plan? What form did that approval take?

**Response:**

The Treasury Board Secretariat (TBS) was not responsible for developing the financial structure for Ontario's Fair Hydro Plan (OFHP). Senior TBS officials and their staff worked with officials from the Ministries of Finance and Energy, Ontario Power Generation, Independent Electricity System Operator and Ontario Financing Authority, as well as their external advisors, to understand the structure of OFHP proposed by the Ministry of Energy and assess the accounting treatment of OFHP in the consolidated financial statements of the Province. The consolidated financial statements of the Province are prepared in accordance with Public Sector Accounting Standards.

In developing Ontario's Fair Hydro Plan, the government considered a range of implementation options and consulted with external third-party experts to provide advice and ensure due diligence was completed. OFHP operates under a financial and accounting framework that is appropriate for the intended purpose.

In order to meet the need for accountability in government reporting and decision making, for the legislature and the public, it is essential that public sector financial statements reflect the economic substance of the government's activities, and the accounting is in accordance with Public Sector Accounting Standards.

**Lawvin Hadisi**
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