CONFIDENTIAL REVISED: May 23, 2018

GLOBAL ADJUSTMENT REFINANCING (ACCOUNTING RELATED TO BILL 132, A 2017 ACT TO REDUCE RESIDENTIAL ELECTRICITY BILLS)

ISSUE: What is the basis for the proposed accounting for the global adjustment refinancing on the Province's books?

KEY MESSAGES:

- In order to meet the needs of users, including the legislature and the public, and for accountability in government reporting and decision making, public sector financial statements must reflect the economic substance of the government's activities.
- All of the agreements necessary for the global adjustment (GA) refinancing have been finalized in the 2017-18 fiscal year.
- The GA refinancing did not commence until July 2017, therefore it had no impact on the 2016-17 consolidated financial statements of the province.
- The impact will be reflected in the consolidated financial statements of the province for 2017-18 in accordance with Canadian Public Sector Accounting Standards.

BACKGROUND:

- The global adjustment (GA) refinancing is one component of Bill 132 (a 2017 act to reduce residential electricity bills) and comprises 16% of the 25% reduction in hydro rates for residential consumers.
- The other parts of the legislation making up the other 9% for residential consumers include:
    - Expansion of the Ontario Electricity Support Program;
    - Reductions in distribution rates for consumers in rural and remote areas;
    - Reductions for First Nations residential consumers living on-reserve; and,
    - A fund set up to assist consumers in making their homes more energy efficient.
- In assessing the appropriate accounting for Bill 132 on the Province's financial statements, the Office of the Provincial Controller worked closely with key ministries, the Ontario Energy Board (OEB), IESO, OPG and their respective external advisors.
- The final accounting treatment for Bill 132-related activities has been confirmed based on all elements of the final GA refinancing framework, including provincial guarantees and financing arrangements.
- The impact of the GA refinancing is disclosed in the December 31, 2017 financial statements of the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG), which have been released with unqualified (or clean) audit opinions from their external auditors.
- The impact will also be reflected in the consolidated financial statements of the province for 2017-18 in accordance with Canadian Public Sector Accounting Standards.

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