FW: Globe Ed - FHP accounting

From: "Gallant, Gabrielle (TBS)" <gabrielle.gallant@ontario.ca>
To: "Pichelli, Jason (TBS)" <jason.pichelli@ontario.ca>, "Poopalapillai, Christine (TBS)" <christine.poopalapillai@ontario.ca>
Date: Fri, 20 Oct 2017 08:48:45 -0400

Over to you guys.

Gabrielle Gallant | gabrielle.gallant@ontario.ca
416-327-0345 | 647-643-9623

From: Flowers, Robert (TBS)
Sent: October-20-17 8:34 AM
To: Gallant, Gabrielle (TBS); Prins, Sebastian (TBS)
Subject: Globe Ed.

The Globe and Mail wasn't displayed on Infomart early this morning.

I went to their website for an article or two. Noticed this in the hard copy.

Accounting tricks

The Globe and Mail
Fri Oct 20 2017
Page: A12
Section: Editorial

This week, Ontario's Auditor-General, Bonnie Lysyk, released a report on the provincial Liberal government's so-called Fair Hydro Plan, in which she accused the province of "making up its own accounting rules" to hide the program's true cost.

The government of Premier Kathleen Wynne of course disagrees with that analysis, but the notion that the province's electricity bookkeeping practices are murky is hardly breaking news. And if those practices are reaching new creative heights, it's only because Queen's Park has already picked all the low-hanging fruit off the shenanigans tree.

For example, Ontario's Liberals have a long history of using your tax dollars to lower your hydro bills. They trumpet lower rates, without mentioning that the money suddenly in your right pocket was actually pulled out of your left.

From 2011 to 2015, electricity bills included a 10-per-cent rebate called the "Ontario Clean Energy Benefit." The province used tax dollars to pay one-tenth of your power cost, and claimed that made sense because, um, you know, green energy. The program was recently replaced with a rebate of the 8 per cent of the provincial portion of the HST.

Then this year, the province found another way to lower power bills, at least in the short term, by extending the amortization on the electricity system's debt. Anyone who's ever borrowed money understands the math: An 84-month car loan carries lower monthly payments than a three-year loan. You feel richer today, but the longer repayment period means more interest payments, for longer.

According to Ontario's independent Financial Accountability Office, the Fair Hydro Plan will lower electricity bills by $24-billion over 29 years - but will cost taxpayers $45-billion.

All of which is bad enough, and all of which was well known before the Auditor-General's report. But Ms. Lysyk says that the government is now using complex financial structures, and torturing basic accounting principles, to make it look like some of its new hydro debt isn't really there. If it can make the extra borrowing to subsidize hydro bills disappear, it can show a balanced budget, and a lower provincial debt.

The hydro hocus-pocus, like every magic trick, involves sleight of hand.

Once the audience figures out how it's done, the show is over.