

RE: Key Messages for Interviews Today

From: "Berry, James (ENERGY)" <james.berry5@ontario.ca>
To: "Hadisi, Lawvin (TBS)" <lawvin.hadisi@ontario.ca>, "Pichelli, Jason (TBS)" <jason.pichelli@ontario.ca>
Cc: "Gallant, Gabrielle (OPO)" <gabrielle.gallant4@ontario.ca>
Date: Wed, 25 Apr 2018 15:49:00 -0400

Oh, and in my opinion it's helpful to make the argument that this was a policy choice. Some lines on this are below:

The Fair Hydro Plan 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.

When Toronto Hydro borrows money to expand its distribution network, it stays within the rate base.

When OPG borrows to build a new hydroelectric dam in Northern Ontario, that also stays within the rate base.

And when Bruce Power extends the life of one of its nuclear reactors, it stays within the rate base.

These costs are spread out over a longer period of time – 30, 50, or even 90 years – because it better reflects the life of the asset.

From: Berry, James (ENERGY)
Sent: April 25, 2018 3:42 PM
To: Hadisi, Lawvin (TBS) <Lawvin.Hadisi@ontario.ca>; Pichelli, Jason (TBS) <Jason.Pichelli@ontario.ca>
Cc: Gallant, Gabrielle (OPO) <Gabrielle.Gallant4@ontario.ca>
Subject: RE: Key Messages for Interviews Today

Thanks. I'm not sure about the topline, but defer to you and Gabbie. My changes are in blue.

From: Hadisi, Lawvin (TBS)
Sent: April 25, 2018 3:30 PM
To: Berry, James (ENERGY) <James.Berry5@ontario.ca>; Pichelli, Jason (TBS) <Jason.Pichelli@ontario.ca>
Subject: RE: Key Messages for Interviews Today

John Oakley 640
Evan Soloman – CFRA

From: Berry, James (ENERGY)
Sent: April 25, 2018 3:28 PM
To: Hadisi, Lawvin (TBS); Pichelli, Jason (TBS)
Subject: RE: Key Messages for Interviews Today

Who are the interviews with?

From: Hadisi, Lawvin (TBS)
Sent: April 25, 2018 3:20 PM
To: Pichelli, Jason (TBS) <Jason.Pichelli@ontario.ca>; Berry, James (ENERGY)

<James.Berry5@ontario.ca>

Subject: Key Messages for Interviews Today

Hi –

Minister has two interviews today on PER.

Gabby and I put this together and want to run it by the both of you in advance of the interviews at 4 pm.

Let me know if you have any questions.

Thanks.

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Key Messages:

- You know it's easy for bad news headlines to get traction.
- First thing I want you to know is that the auditor general concluded in the introduction of her report that the assumptions we made in our fiscal plan are cautious, prudent and reasonable.
- That is exactly what she said.
- Here is where the disagreements come in – and these are technical accounting disagreements.
- We have two issues that we have been talking about publicly for over a year and the other for a number of years.
- First one is how public sector pension assets are consolidated on our books. We have been talking about this since 2014. There has been multiple reports, technical briefings, and lots of media. We even had an expert panel. That expert panel agree with us with our treatment of these pension assets. In fact past AG's have agreed with this treatment.
- Now we haven't been talking much about pension assets today. We have been talking about the accounting that goes with the Fair Hydro Plan.
- The most important thing that I want everyone to keep in mind when it comes to the Fair Hydro Plan is...
- The Liberal Government made the decision to decrease

people's energy bills. We heard from the people in this province that energy bills had increased too much too quickly. We listened. And we made it so that families have seen a 25 per cent on average reduction off their hydro bills. And we're holding any increases to the rate of inflation for four years. Moving forward, our Long-Term Energy Plan lays out a path for predictable, affordable electricity prices with no sudden jumps as part of our plan to increase fairness and create more opportunity.

- We basically did this by remortgaging some of our electricity assets. Which means investments we made in building a clean and reliable electricity system, that no longer burns dirty coal to power our lives and livelihoods. We are spreading the cost of these assets over a longer period of time. We think it's fair that the people who are going to get the benefit of these assets are going to pay for it. And we know these assets are going to last us a long time.
- This is where the disagreement comes. It's about rate regulated accounting. Members of the opposition have said we have legislated our own accounting. Let me be clear – that is simply not true. In Canada we have something called the Public Sector Accounting Standards Board – it's a body of rules that tells us how we should keep our books in government.
- Unfortunately, there is not a rule for everything.
- In Ontario, we have the largest and most complex economy in Canada. And our electricity system is the biggest as well.
- Without using rate regulated accounting the energy agency, the IESO was actually keeping two sets of books. Rate regulated accounting is actually the most transparent way for us to account for the costs and the money paid by rate payers.
- As you can see we are really in the weeds on accounting details here.
- The public sector accounting standards doesn't have rules for everything
- The rule book doesn't speak to every situation.
- What the public sector accounting standards board says if there

is no rule you should look at another body of accounting standards. And that is exactly what we did.

- The US is a much larger market with a complex economy. They have USGAAP – United States Generally Accepted Accounting Principles.
- US is our closest neighbor. And it made sense to look at their body of rules.
- I also want to note that in the past, in Ontario, rate regulated accounting has been used by the Ontario Power Authority.
- The Ontario Power Authority which was the body that the IESO merged with. The AG at the time accepted that accounting practice.

Lawvin Hadisi

Communications Advisor & Press Secretary

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President of Treasury Board

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