FW: FHP - Messaging for today's Estimates

From: "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Wed, 27 Sep 2017 14:25:12 -0400

Fyi re below: " Cindy could answer a general question about accounting standards in the government writ large but specifics on Fair Hydro would be deferred."

From: Ue, Allison (TBS)
Sent: September 27, 2017 2:24 PM
To: Sullivan, Bryant (TBS); Laughton, Patrick (TBS)
Cc: DiMuzio, Sofie (TBS); Hosick, Sarah (TBS); Liu, Mary (TBS)
Subject: RE: FHP - Messaging for today's Estimates

Good idea.

Including Mary, as she will be in the ante-room.

From: Sullivan, Bryant (TBS)
Sent: September 27, 2017 2:23 PM
To: Laughton, Patrick (TBS)
Cc: DiMuzio, Sofie (TBS); Ue, Allison (TBS); Hosick, Sarah (TBS)
Subject: RE: FHP - Messaging for today's Estimates

Thanks Patrick.

Allison – thinking we should huddle with the DM quickly in the ante-room before we go in, just to make sure we're all on the same page.

From: Laughton, Patrick (TBS)
Sent: September-27-17 2:20 PM
To: Sullivan, Bryant (TBS)
Cc: DiMuzio, Sofie (TBS); Ue, Allison (TBS); Hosick, Sarah (TBS)
Subject: RE: FHP - Messaging for today's Estimates

Yes – I don't believe that anything changes on this front.

Cindy could answer a general question about accounting standards in the government writ large but specifics on Fair Hydro would be deferred.

From: Sullivan, Bryant (TBS)
Sent: September-27-17 2:10 PM
To: Laughton, Patrick (TBS)
Cc: DiMuzio, Sofie (TBS); Ue, Allison (TBS)
Subject: RE: FHP - Messaging for today's Estimates
Importance: High

Hey Patrick – just left you a v/m

Are you/Karen still comfortable with the below holding messaging, in case FHP comes up at today's estimates?

From: Sullivan, Bryant (TBS)
Sent: September-27-17 10:24 AM
To: Ue, Allison (TBS); Laughton, Patrick (TBS)
Subject: FHP - Messaging

Hi guys, I've pulled out the language in our Estimates Qs that speak to FHP, so we can have another look. In case it comes up at committee today we'll want to be prepared.

I think our top line message is this – but Allison and Patrick let me know what you think.

- **The Ministry of Energy, Finance and Treasury Board Secretariat continue to work closely with Ontario Power Generation (OPG), the Independent Electricity System Operator (IESO) and external advisors to address the outstanding accounting related considerations.**
- **Any further questions about Ontario's Fair Hydro Plan should be directed to my colleague the Minister of Energy.**

1. **The Auditor General has some serious concerns about how you're accounting for Ontario's Fair Hydro Plan. What do you say to this?**

   The Ministry of Energy, Finance and Treasury Board Secretariat continue to work closely with Ontario Power Generation (OPG), the Independent Electricity System Operator (IESO) and external advisors to address the outstanding accounting related considerations.

   Under Ontario's Fair Hydro Plan accounting structure, the Province's net debt and annual surplus/deficit won't be negatively impacted since all costs are to be recovered through future rates.

   The Auditor General has also been briefed on the government's refinancing structure.

   For further questions, I direct you to contact my colleague at the Ministry of Energy.

2. **Why have you set up Ontario's Fair Hydro Plan accounting so that the burden will be borne by future generations?**

   Thank you for your question.

   The Ministry of Energy, Finance and Treasury Board Secretariat continue to work closely with Ontario Power Generation (OPG), the Independent Electricity System Operator (IESO) and external advisors to address the outstanding accounting related considerations.

   Any further questions about Ontario's Fair Hydro Plan should be directed to my colleague the Minister of Energy.

   If pressed – OPCD:

   In order to meet the needs of users, including the legislature and the public, for accountability in government reporting and decision making, it is essential that public sector financial statements reflect the economic substance of the government's activities.

   All of the agreements necessary for the Global Adjustment (GA) Refinancing are not yet complete. The final accounting for the GA Refinancing will be completed once all of the elements are complete.

In analyzing the appropriate accounting treatment for the GA refinancing component of Ontario's Fair Hydro Plan on the province's consolidated financial statements in 2017-18 and forward, the province considered authoritative guidance issued by the Public Sector Accounting Board, as well as the accounting assessments of the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) management, including the accounting opinions of their external auditors.

The complexity and unique structure of the GA Refinancing structure requires the use of professional judgment to ensure that key financial reporting objectives of transparency and accountability are best served.