FW: Interview request: Cindy Veinot

From: "Sullivan, Bryant (TBS)" <bryant.j.sullivan@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Tue, 24 Apr 2018 07:10:18 -0400

Cindy here's the response Lawvin sent the reporter.

Sent with BlackBerry Work
(www.blackberry.com)

From: Hadisi, Lawvin (TBS) <Lawvin.Hadisi@ontario.ca>
Date: Tuesday, Apr 24, 2018, 7:01 AM
To: Sullivan, Bryant (TBS) <Bryant.J.Sullivan@ontario.ca>
Subject: FW: Interview request: Cindy Veinot

FYI.

From: Hadisi, Lawvin (TBS) <Lawvin.Hadisi@ontario.ca>
Date: Friday, Apr 20, 2018, 4:12 PM
To: McClearn, Matthew <MMcClearn@globeandmail.com>
Subject: RE: Interview request: Cindy Veinot

Hi Matt,

Thank you for your patience on this.

In follow-up to your request for an interview with Deputy Minister Angus, again I wanted to note that we typically do not offer civil servants for media interviews. However, we are happy to continue to provide responses to your questions.

I'd like to share that I perceive that your frame on this story is incorrect. At the core of this issue is a technical issue about if the IESO is a rate regulated agency and should thus use rate regulated accounting. The IESO's predecessor, the OPA, used rate regulated accounting and the AG of the day approved that accounting process. When the IESO rolled into the OPA, they maintained the IESO's accounting structure instead of adopting that of the OPA's.

It came to the attention of Cindy Veinot, Provincial Controller, that the IESO - an agency whose books are consolidated onto that of the province - was keeping two separate sets of books. Concerned by this lack of transparency - which meant that $17 billion in transactions were not visible – the Controller requested that the IESO evaluate their processes. It is curious that the Auditor General is advocating for an accounting practice that shields $17 billion in transactions from public view. In accordance with her fiduciary duty, the Controller asked the necessary questions which led to decisions that in turn resulted in greater transparency about public sector finance in Ontario.

The policies and implementation process for the Fair Hydro Plan were designed and extensively reviewed by senior staff from the Ministry of Energy, Ministry of Finance, Treasury Board Secretariat, Office of the Provincial Controller, Cabinet Office, the Ontario Financial Authority, the Independent Electricity System Operator, and Ontario Power Generation, and work with third-party experts from firms such as KPMG, E&Y, and Deloitte. Through this work we considered a range of implementation options, and ensured due diligence was completed.

These are policy choices we made to ensure that we continue to have a clean, reliable affordable electricity system for the ratepayers of today, and the ratepayers of tomorrow. That's exactly what the Fair Hydro Plan has done, and what it will continue to do into the future.

In January 2017, at one of the initial meetings that the Provincial Controller attended to discuss Ontario's Fair Hydro Plan (OFHP or "the Fair Hydro Plan"), she became aware of the accounting for the market accounts at the Independent Electricity System Operator (IESO). At that point she requested that IESO management review the accounting for these accounts. While no specific timeframe was discussed during the conversation, the intention was to have this review completed before the Province's year-end of March 31, 2017.

At the time the request was made, the structure for the Global Adjustment Refinancing of the Fair Hydro Plan had not been determined.

The recognition of market accounts on IESO's books better reflects the financial position of the IESO-administered markets at year-end, and was supported by the IESO's audit committee, its board of directors, its independent external auditor (KPMG), and by the Office of the Provincial Controller. This accounting is consistent with the presentation used previously by the Ontario Power Authority (which was merged with the IESO on January 1, 2015) in its financial statements

While the Provincial Controller became aware of the accounting for the market accounts of IESO at a meeting to discuss the Fair Hydro Plan, the request to review the accounting for the market accounts was not tied to or in anticipation of the structure of the Fair Hydro Plan.

The Statement of Responsibility for the 2016-17 financial statements (for the year ended March 31, 2017) of the Province was signed in August 2017. The only aspect of the Fair Hydro Plan that was reflected in the 2016-17 financial statements of the Province was the 8% rebate, which commenced in January 2017. The balance of the Fair Hydro Plan commenced in July 2017, and the last of the commercial agreements related to the Fair Hydro Plan was executed in December 2017. The Statement of Responsibility for the 2017-18 financial statements (for the year ended March 31, 2018), which will be signed in August 2018, will relate to financial statements that reflect all aspects of the Fair Hydro Plan, including the refinancing of the Global Adjustment, which is the aspect of the Fair Hydro Plan that the government and the Auditor General disagree on as it relates to the accounting.

In developing the Fair Hydro Plan, the government considered a range of implementation options and consulted with legal, accounting, financial and energy sector third-party experts to provide advice and ensure due diligence was completed. The impact of the Fair Hydro Plan will be transparent in the financial statements of the IESO, Ontario Power Generation (OPG) and the consolidated financial statements of the Province. The Province's financial statements are prepared in accordance with Public Sector Accounting Standards (PSAS).

PSAS are principle based – they are not a set of specific prescriptive rules. Applying them requires the application of professional judgment.

Our professional staff exercise judgment in applying the standards and as necessary consult with external experts and advisors. They provide the Office of the Auditor General with their written analysis on all significant issues that impact the financial statements for the year being audited, and they discuss the issues with the Office of the Auditor General.

All Chartered Professional Accountants (CPAs), including those employed by the Ontario Public Service (OPS), are required to comply with the Code of Professional Conduct for CPAs. One of those rules is that they not be associated with false or misleading information. That means that if the professional accountants in the OPS do not agree with the judgment of the Ontario Auditor General, it is not as simple as agreeing to accept the interpretation of the Office of the Auditor General if they believe that interpretation would result in false or misleading financial statements. While we expect professional accountants to agree on the vast majority of issues, we acknowledge that they may not agree on everything and when that occurs, and the difference is material to the financial statements, the Office of the Auditor General can choose to issue a qualified audit opinion.

If you have any questions please let me know.

Best,

Lawvin

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]
Sent: April 18, 2018 1:24 PM
To: Hadisi, Lawvin (TBS)
Cc: Veinot, Cindy (TBS)
Subject: RE: Interview request: Cindy Veinot

Okay, Lawvin. I respect Ms. Veinot's decision to decline the interview request.

Please let Ms. Veinot know that the story will explore her instruction to the IESO to consider changing its accounting policies. It's my understanding that at the time, Ms. Veinot was already involved with the team that was designing the Fair Hydro Plan's financial and accounting structure. Ms. Veinot later signed the Statement of Responsibility on the Province's financial statements, notwithstanding the Auditor General's warnings that the IESO was using improper accounting that might result in future misstatements on Ontario's public accounts. We'll be reporting the government's assertions that the IESO's decision to change its accounting policies was unrelated to the Fair Hydro Plan, and noting that those accounting policies were put to immediate use with the Fair Hydro Plan, and that the Auditor General insists those two developments were directly related. We'll be noting that Ms. Veinot declined our interview request.

If she changes her mind between now and when the story is finalized, I welcome her to contact me directly. My line is (416) 585-5487. Regards,

Matt.

Matthew McClearn | Data journalist, Enterprise Team
p: 416.585.5487 | m: 416.705.6047 | e: mmcclearn@globeandmail.com

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From: Hadisi, Lawvin (TBS) [mailto:Lawvin.Hadisi@ontario.ca]
Sent: Wednesday, April 18, 2018 12:50 PM
To: McClearn, Matthew
Cc: Tharani, Alisha (TBS)
Subject: RE: Interview request: Cindy Veinot

Hi Matt,

Thanks for your patience. It's been crazy today at Queen's Park.

We don't traditionally offer civil servants for interviews. We're happy to continue to work with you to provide answers to your questions.

I understand Alisha is fact-checking something for you. We will get back to you as soon as possible.

Let me know if you have any additional questions.

Thanks.

Lawvin

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]
Sent: April 16, 2018 1:51 PM
To: Hadisi, Lawvin (TBS)
Subject: RE: Interview request: Cindy Veinot

Very good. Thanks, Lawvin and Alisha. Regards,

Matt.

Sent from Mail for Windows 10

From: Hadisi, Lawvin (TBS)
Sent: April 16, 2018 1:45 PM
To: McClearn, Matthew
Cc: Tharani, Alisha (TBS)
Subject: RE: Interview request: Cindy Veinot

Hi Matt,

Thanks for your email.

I have cc'd Alisha Tharani who will help you with your request. She has better insight into Cindy's schedule.

Best,

Lawvin

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]
Sent: April 16, 2018 11:30 AM
To: Hadisi, Lawvin (TBS)
Subject: Interview request: Cindy Veinot

Lawvin:

I'll be publishing a story about the financial and accounting structure of the Fair Hydro Plan in the near future, and I wanted to request an interview with Cindy Veinot this week, if she's available. My own schedule is quite flexible. Please let me know when you have a moment. Thanks and regards,

Matt.

Sent from Mail for Windows 10

From: Hadisi, Lawvin (TBS)
Sent: April 5, 2018 3:29 PM
To: McClearn, Matthew
Subject: RE: Cindy Veinot's instructions to IESO

Hi Matt,

I appreciate your patience with this request.

Below is our response to your questions.

Best,

Lawvin

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Questions:
1) On what date did Ms. Veinot ask the IESO to "look at" the issue of market accounts on the IESO's financial statements?
2) What form did this request take? (Letter, memo, personal conversation, etc.)
3) To whom at IESO did Ms. Veinot direct this request?
4) Did Ms. Veinot indicate to the IESO a time frame in which her instructions were to be executed? If so, what was that timeframe?

Response:
During the week of January 16, 2017, Cindy Veinot, Assistant Deputy Minister and Provincial Controller had a conversation with Kim Marshall, Vice President, Corporate Services and Chief Financial Officer regarding IESO's financial reporting of market accounts. She requested IESO take a closer look at the accounting for market accounts on their financial statements. While no specific timeframe was discussed during the conversation, the intention of the request was to have this review completed before the province's year-end of March 31, 2017.

Background:

In its 2016 financial statements, the Independent Electricity System Operator (IESO) began recognizing its market accounts' assets (amounts due from power distributors) and liabilities (amounts due to power producers) in its financial results. IESO has chosen to recognize these market accounts on its books for transparency reasons, as it better reflects the financial position of the IESO-administered markets at year-end.

This change was supported by the IESO's audit committee, its independent external auditor (KPMG), and by the Office of the Provincial Controller.

As standard practice, the financial statements of the IESO for the year-ended December 31, 2016 were subject to an external audit by KPMG. KPMG issued an unqualified (or clean) opinion stating that the financial statements of the IESO were fairly presented, in all material respects, in accordance with Public Sector Accounting Standards (PSAS).

This accounting is consistent with the presentation used previously by the Ontario Power Authority (which was merged with the IESO on January 1, 2015) in its financial statements, which was not subject to qualification from the Office of the Auditor General at that time.

The Office of the Provincial Controller is responsible for the integrity of the government's public financial reporting, including consolidation of all organizations within the reporting entity, as presented within the Public Accounts of Ontario. The province's consolidated financial statements, including the entities it controls and consolidates (such as the IESO), are presented in accordance with PSAS and the government's internal reporting policies. Each consolidated entity (such as the IESO) produces its own stand-alone financial statements and is subject to its own financial statement audit.

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]
Sent: April 4, 2018 1:42 PM
To: Hadisi, Lawvin (TBS)
Subject: RE: Cindy Veinot's instructions to IESO

Okay, thanks for the prompt response. Regards,

Matt.

Matthew McClearn I Data journalist, Enterprise Team
p: 416.585.5487 I m: 416.705.6047 I e: mmcclearn@globeandmail.com

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From: Hadisi, Lawvin (TBS) [mailto:Lawvin.Hadisi@ontario.ca]
Sent: Wednesday, April 04, 2018 1:41 PM
To: McClearn, Matthew
Subject: RE: Cindy Veinot's instructions to IESO

Hi Matt,

Yes I am working on it. Will get you something asap.

Sorry it's taking so long.

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]

Sent: April 4, 2018 1:40 PM
To: Hadisi, Lawvin (TBS)
Subject: RE: Cindy Veinot's instructions to IESO

Lawvin:

Any word on this? Please advise. Thanks and regards,

Matt.

THE GLOBE AND MAIL

Matthew McClearn I Data journalist, Enterprise Team
p: 416.585.5487 I m: 416.705.6047 I e: mmcclearn@globeandmail.com

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From: Hadisi, Lawvin (TBS) [mailto:Lawvin.Hadisi@ontario.ca]
Sent: Thursday, March 29, 2018 2:26 PM
To: McClearn, Matthew
Subject: RE: Cindy Veinot's instructions to IESO

Thanks for the update. We will touch base shortly.

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]
Sent: March 29, 2018 2:13 PM
To: Hadisi, Lawvin (TBS)
Subject: RE: Cindy Veinot's instructions to IESO

Lawvin:

I don't have a firm deadline at this point. But it's one of those stories that could go from draft to published quite quickly. I'll be chatting with my editor about it next week. It's certainly not running this weekend. Regards,

Matt.

Sent from Mail for Windows 10

From: Hadisi, Lawvin (TBS)
Sent: March 29, 2018 1:36 PM
To: McClearn, Matthew
Subject: RE: Cindy Veinot's instructions to IESO

Hi Matthew - can you let me know your absolute deadline?
Thanks.
Lawvin

From: McClearn, Matthew <MMcClearn@globeandmail.com<mailto:MMcClearn@globeandmail.com>>
Date: Monday, Mar 26, 2018, 11:02 AM
To: Hadisi, Lawvin (TBS) <Lawvin.Hadisi@ontario.ca<mailto:Lawvin.Hadisi@ontario.ca>>

Subject: RE: Cindy Veinot's instructions to IESO

Lawvin:

Yes, please, I'll be writing more on this. Regards,

Matt.

[cid:5114D3B1-1410-4891-8833-0259441E2F64]
Matthew McClearn I Data journalist, Enterprise Team
p: 416.585.5487 I m: 416.705.6047 I e:
mmcclearn@globeandmail.com<mailto:mmcclearn@globeandmail.com>

From: Hadisi, Lawvin (TBS) [mailto:Lawvin.Hadisi@ontario.ca]
Sent: Monday, March 26, 2018 10:58 AM
To: McClearn, Matthew
Subject: RE: Cindy Veinot's instructions to IESO

Hi Matt,

Just to confirm, do you still want the answers to the questions below. I saw your story today but wasn't sure if you are doing a follow up.

Let me know.

Lawvin

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]
Sent: March 23, 2018 11:14 AM
To: Hadisi, Lawvin (TBS)
Subject: RE: Cindy Veinot's instructions to IESO

Lawvin:

Okay, thanks. I'm filing an early draft today, but we'll have opportunities to revise next week. No publication date yet.

Matt.

[cid:5114D3B1-1410-4891-8833-0259441E2F64]
Matthew McClearn I Data journalist, Enterprise Team
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From: Hadisi, Lawvin (TBS) [mailto:Lawvin.Hadisi@ontario.ca]
Sent: Friday, March 23, 2018 10:15 AM
To: McClearn, Matthew; Nekolaichuk, Colin (ENERGY)
Subject: RE: Cindy Veinot's instructions to IESO

Hi Matt,

Treasury Board will handle questions pertaining to the Office of the Provincial Controller.

We will work on your request. What is your deadline?

Thanks.

Lawvin

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]
Sent: March 22, 2018 5:45 PM
To: Nekolaichuk, Colin (ENERGY)

Cc: Veinot, Cindy (TBS); Hadisi, Lawvin (TBS)
Subject: RE: Cindy Veinot's instructions to IESO

Hey, Colin. I just want to confirm that the MOE represents Ms. Veinot for the purposes of communications. That's not what I expected, so please confirm. Thanks and regards,

Matt.

[cid:5114D3B1-1410-4891-8833-0259441E2F64]
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From: Hadisi, Lawvin (TBS) [mailto:Lawvin.Hadisi@ontario.ca]
Sent: Thursday, March 22, 2018 3:40 PM
To: McClearn, Matthew
Cc: Nekolaichuk, Colin (ENERGY)
Subject: RE: Cindy Veinot's instructions to IESO

Hi Matthew,

Thank you for your email.

I have cc'd my colleague Colin who can help with your request.

Any additional questions can be directed to him.

Best,

Lawvin

From: McClearn, Matthew [mailto:MMcClearn@globeandmail.com]
Sent: March 22, 2018 3:26 PM
To: Hadisi, Lawvin (TBS)
Subject: Cindy Veinot's instructions to IESO

Lawvin:

It's McClearn here again.

Before the Public Accounts Committee on Feb. 28, 2017, provincial controller Cindy Veinot testified to the following:

There are two different issues. One is the reflection of market accounts in the financial statements of the IESO. As the provincial controller, I actually asked the IESO to look at that issue. When I first heard about the fact that the IESO had a second set of accounts that was not reflected in their financial statements, I asked them to consider whether or not that was the appropriate accounting treatment.

She also said:

The issue that the Auditor General qualified the statements on, the inclusion of market accounts, is something that I directed them, I asked them to look at, because I didn't think the accounting that they were doing, which was not showing any of the $17 billion in the transactions that they settled for the market—I didn't think it was appropriate.

Before the same committee, IESO CFO Kim Marshall testified:

We fast-forward a couple of years and we have some conversations with a new provincial controller. At that time, there are questions about, "But why do you do what you do?" So we undertook some processes to go, first of all, right back to the beginning of the IESO and see what was some of the advice that was presented at that point in time…

My questions:

1) On what date did Ms. Veinot ask the IESO to “look at” the issue of market accounts on the IESO’s financial statements?

2) What form did this request take? (Letter, memo, personal conversation, etc.)

3) To whom at IESO did Ms. Veinot direct this request?

4) Did Ms. Veinot indicate to the IESO a time frame in which her instructions were to be executed? If so, what was that timeframe?

Thanks for considering my questions. Best regards,

Matt.

[cid:5114D3B1-1410-4891-8833-0259441E2F64]
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