FW: Q&As for FAO report

From: Ken Kandeepan <ken.kandeepan@ofina.on.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Cc: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Date: Wed, 24 May 2017 12:12:46 -0400
Attachments: remarks_standing committee on justice policy.pdf (113.71 kB)

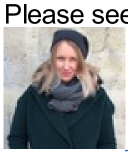
Not sure whether you saw this.

Thanks

Ken K

From: Pichette, Marc (MOF) [mailto:Marc.Pichette@ontario.ca]
Sent: Wednesday, May 24, 2017 11:34 AM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>
Subject: RE: Q&As for FAO report

Please see remarks by the Auditor General on this.



Allison Smith @QueensParkToday[twitter.com] 4m4 minutes ago[twitter.com]
AG Bonnie Lysyk tells committee that Fair Hydro Plan defies accounting standards by not counting debt it is borrowing for 25% rate cut.

From: Bonnie Lemcke [mailto:Bonnie.Lemcke@ofina.on.ca]
Sent: May 24, 2017 10:34 AM
To: John Psinas; Pichette, Marc (MOF); Strathy, Anna (OFA)
Cc: He, Gavin (OFA); Kandeepan, Ken (OFA); Sakura, George (OFA)
Subject: RE: Q&As for FAO report

The rating agencies have not commented on the recent dispute with the auditor over the pension accounting issue. Only one of the rating agencies has commented on the Ontario Fair Hydro Plan so far. Others are waiting for more details. DBRS issued a press release and stated "Provided the debt continues to be fully supported by the electricity rate base, DBRS will treat it as self-supported and exclude it from the calculation of tax-supported debt."

Here are the key messages:

- **As usual, the rating agencies will review the Budget in the spring, including Ontario's Fair Hydro Plan, as well as the economic outlook and fiscal plan.**
- **DBRS has issued a press release noting that the impact of Ontario's Fair Hydro Plan is credit neutral for the province.**

Quotes:

DBRS

- **"DBRS views the proposed changes as credit neutral."**
- **"The Province has the ability to absorb the fiscal impact of the proposed policy changes, while still restoring budgetary balance in 2017–2018."**

From: John Psinas
Sent: Wednesday, May 24, 2017 9:54 AM

To: Marc Pichette (MOF) <Marc.Pichette@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>
Subject: RE: Q&As for FAO report

Anna, Marc,

The paragraph appears to be factually correct. It is a complicated accounting structure that should not result in a change in net debt upon consolidation in Public Accounts. Regarding the $26 B reference, it's about $2.5 B a year though it's not clear why the FAO chose 11 / 18 years. The Ministry of Energy would be in a better position to comment on the 11/18 year timeframe.

I can't really comment why MPPs would be asked to contact the OAG as such contact is typically done by OPCD/Treasury Board. The consequences of another PSAB dispute would be a qualification of the Auditor General in Public Accounts given the magnitude, but since we will almost certainly get another qualification this year anyway given the current dispute over pension accounting, this might not be a significant issue.

By copy of this email, I am ccing Bonnie on her perspectives with respect to rating agencies view of another accounting dispute.

Thanks.

Refinancing the Global Adjustment

- Refinancing the Global Adjustment (GA) would provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.
  - 25% reduction on average for the typical residential customer and rates would follow inflation for the next 4 years.
- Under current forecasts, the immediate reduction (i.e., the financed portion) in the GA would be about $2.5 billion per year on average over the first ten years, with a maximum annual interest cost of $1.4 billion.

--John

416-325-8072

-----Original Message-----
From: Pichette, Marc (MOF) [mailto:Marc.Pichette@ontario.ca]
Sent: Wednesday, May 24, 2017 9:48 AM
To: Anna Strathy < Anna.Strathy@ofina.on.ca >
Cc: Gavin He < Gavin.He@ofina.on.ca >; John Psinas < John.Psinas@ofina.on.ca >; Ken Kandeepan < Ken.Kandeepan@ofina.on.ca >
Subject: RE: Q&As for FAO report

Thease are great but I think we need to address that question raised in page 9. What are the consequence if there is another accounting dispute with the Auditor General and the impact on the debt and the ratings agencies.

-----Original Message-----
From: Anna Strathy [mailto:Anna.Strathy@ofina.on.ca]
Sent: May 24, 2017 9:42 AM
To: Pichette, Marc (MOF)
Cc: He, Gavin (OFA); John Psinas; Kandeepan, Ken (OFA)
Subject: Q&As for FAO report

Hi Marc, it just occurred to me - have you seen these Q&As that office of the budget pulled together to respond to the FAO report? I think the messaging around any increase to the debt is already addressed in here. But let us know if you're looking for something more specific.

Thanks, Anna
