

FW: Statement Shared with Matt McClearn

From: "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Fri, 20 Apr 2018 18:00:27 -0400

Note they put your concern about the transparency piece back in that Comms had removed per our request.

From: Sullivan, Bryant (TBS)
Sent: April 20, 2018 5:56 PM
To: Hughes, Karen (TBS); Veinot, Cindy (TBS); Skoberne, Vivienne (TBS); Ue, Allison (TBS)
Cc: Hosick, Sarah (TBS); Laughton, Patrick (TBS)
Subject: FW: Statement Shared with Matt McClearn

FYI – this is the version of the statement MO sent to the reporter at 5pm.

Both MO and PO edited and added to the response we gave them – mostly the beginning. I'm told they pulled info from a number of other sources. It will be attributed to our MO press secretary, Lawvin.

The front end tone is a bit confrontational, which I was not expecting.

We'll keep a close eye out for this story and circulate right away.

Vivienne: I'll also be sending you the full package of materials shortly, for Helen.

Bryant

From: Hadisi, Lawvin (TBS)
Sent: April 20, 2018 5:06 PM
To: Sullivan, Bryant (TBS); Tharani, Alisha (TBS); Vrancart, Kate (TBS)
Subject: Statement Shared with Matt McClearn

Here you go.

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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.

Lawvin Hadisi

Communications Advisor & Press Secretary

Office of the Honourable Eleanor McMahon

President of Treasury Board

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