Re: ENERGY media calls

From: "Nekolaichuk, Colin (ENERGY)" <colin.nekolaichuk@ontario.ca>
To: "Whittington, Matt (ENERGY)" <matt.whittington@ontario.ca>
Cc: "Berry, James (ENERGY)" <james.berry5@ontario.ca>
Date: Mon, 16 Apr 2018 18:25:31 -0400

That's in the OLP release I sent as well. M doesn't like that 6.5 seems to minimize the cost here, so we moved forward with a compromise. We can refine out language for future requests.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Whittington, Matt (ENERGY)
Sent: Monday, April 16, 2018 6:07 PM
To: Nekolaichuk, Colin (ENERGY)
Cc: Berry, James (ENERGY)
Subject: RE: ENERGY media calls

$6.6B to buy back Hydro One shares at their current price.

Price would obviously move higher if a real government actually told everyone that it intended to buy them back.

From: Nekolaichuk, Colin (ENERGY)
Sent: April-16-18 6:04 PM
To: @OPO-Media Relations and Issues Management
Cc: Berry, James (ENERGY)
Subject: ENERGY media calls

Hi all,

We've got two requests to report. Global News asked for comment on the NDP platform, and specifically regarding their plan to buy back shares of Hydro One. Sudbury.com also asked for a comment on the PC release regarding AG statements and third-party accounting firms.

Summaries of our responses are below.

Let us know if you have any questions.

Best,
Colin

Topic: Ontario NDP platform

Reporter & Outlet: Jamie Mauracher, Global News

Response Type: Minister's spokesperson | Minister's statement

Questions:

Reporter looking for comment on the Ontario NDP platform announced today.

Response:

Statement from Minister Thibeault:

Buying back billions of dollars in shares of Hydro One will not take one cent off electricity bills for Ontario families and businesses. The NDP should know that electricity rates are set by our independent regulator, the Ontario Energy Board. All buying back shares will do is send billions to the stock market instead of making much needed investments in healthcare, education and transit. The NDP are choosing ideology over the people of Ontario. What's worse, they've actually promised to cancel Ontario's Fair Hydro Plan, which has reduced electricity rates for Ontario families and businesses.

Through the Fair Hydro Plan, our government reduced electricity bills by 25 per cent on average for all families and as many as half a million farms and small businesses. Families in eligible rural and Northern communities are seeing their electricity bills reduced by up to 40 to 50 per cent. It's the single largest rate reduction in the province's history and for four years any increase will be held to the rate of inflation. Doug Ford and the Conservatives have absolutely no plan for our electricity system and the NDP hydro proposal offers nothing practical or substantial when it comes to reducing electricity costs for Ontario families and businesses.

Topic: PC release

Reporter & Outlet: Darren MacDonald, Sudbury.com

Response Type: Minister's spokesperson | Minister's statement

Questions:

I wanted to give Glenn a chance to respond to this release from the Tories before I write it up. I'm available until 6:30 for a interview or a statement.

Response:

One thing the PC release does not mention is that Todd Smith was forced to withdraw his question in the House.

The myriad ways that the accounting for the Fair Hydro Plan was developed have been well-documented. We've talked about this extensively. Below I've included a statement from Minister Thibeault that you can use for your story. I've also included statements from both KPMG and Deloitte regarding their opinion of rate regulated accounting within Public Sector Accounting Standards. EY is OPG's financial auditor, and is consulted on an ongoing basis. They have all reviewed and provided an opinion on the accounting in one form or another.

Statement from Minister Thibeault

"Ontario's Fair Hydro Plan is the single-largest electricity rate reduction in our province's history. By spreading out the costs of building our green electricity system, we have lowered electricity bills by an average of 25 per cent for all residential consumers, and will hold any increases to the rate of inflation for four years. As many as half a million small businesses and farms are also benefitting from the rate reduction. Lower-income Ontarians and those living in eligible rural and Northern communities are receiving even greater reductions, as much as 40 to 50 per cent.

The Conservatives voted against our plan to reduce electricity rates for families, and then sneakily included the Fair Hydro Plan in the People's Guarantee, their now obsolete platform. They have since turned their backs on the Fair Hydro Plan, without replacing it with any kind of real policy to address electricity affordability. This is disappointing but certainly not surprising, coming from a party that is focused on bumper stickers slogans and not bothering to do the work when it comes to providing solutions that work for Ontario families and businesses. They are more interested in cutting services that Ontarians rely on than providing the care that families have been asking for.

In developing the Fair Hydro Plan we consulted extensively and thoughtfully with accounting experts within government, the Provincial Controller, government agencies including the Independent Electricity System Operator and Ontario Power Generation, as well as external legal and accounting experts. By doing our due diligence we were able to deliver a plan that reduced costs for Ontario ratepayers, while ensuring fairness in our electricity system.

Over the past decade or so we have invested approximately $70 billion to transform our electricity system, which had fallen into disrepair due to underinvestment by governments of all political stripes. We now have a clean, green, reliable system that meets the needs of Ontario families and businesses every minute of every day. While those investments were necessary, they came at a cost, which was being disproportionately placed on current electricity customers. By spreading out these costs over a longer period of time, they will be shared more evenly with future generations who will benefit from the investments. It is a fairer way to pay for our electricity investments."

Statement from KPMG

We would like to highlight two key points: The concerns referred to by the AGO result from a difference of professional judgement. Secondly, KPMG has been transparent with the AGO and made every effort to be responsive to the AGO's requests for meetings and information.

The concerns referred to by the AGO result from a difference of professional judgement. The AGO has taken issue with an accounting standard and in the way the standard is being applied. The standards for public sector organizations such as IESO are principles based standards and, accordingly, require the exercise of considerable professional judgement. In many cases, there is more than one acceptable approach that is compliant with the applicable standards.

On the basis of our extensive research, deliberations and an opinion from another major accounting firm, we believe that the accounting policies adopted by IESO are in accordance with Canadian public sector accounting standards.

KPMG has been transparent with the AGO, and made themselves fully available to consider the concerns raised by the AGO. The AGO was aware of all changes to the accounting policies of the IESO in March of 2017, which was more than 4 months before the completion of their audit of the Province.

KPMG and IESO have made every effort to be responsive to the AGO's requests for meetings and information and have repeatedly invited the AGO to provide any input she feels relevant, all of which has been carefully considered by KPMG.

We appreciate the importance of this matter, and believe that the concerns expressed by the AGO result from a difference of opinion in the application of professional judgement.

- KPMG Canada

Statement from Deloitte

KPMG is the auditor of the IESO. Deloitte was engaged by KPMG to provide its opinion (the "Deloitte Report") on whether a public sector entity could use rate regulated accounting under Canadian Public Sector Accounting Standards ("PSAS"), as established by CPA Canada.

PSAS are silent on the question of how to account for the impacts of rate regulation. Through an analysis of the guidance provided in PSAS, the Deloitte Report concluded that it is appropriate for a public sector entity to select accounting policies that would result in the recognition of the impacts of rate regulation, by analogy to US accounting standards and the related eligibility criteria on the topic. The Deloitte report further concluded that any regulatory assets and liabilities recognized through the appropriate application of these policies would meet the criteria for recognition under PSAS.

It should be noted, however, that the Deloitte Report did not include in its scope an assessment of the specific regulatory assets or liabilities recognized by the IESO through the application of this accounting policy under PSAS.

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Colin Nekolaichuk | Senior Communications Advisor
Office of the Hon. Glenn Thibeault | Minister of Energy
T: 416-325-2690 C: 647-504-4928
colin.nekolaichuk@ontario.ca