<u>TRANSCRIPT – Auditor General Lysyk scrum after Justice Policy – May 24, 2017</u>

Media: Brule, Lamoureux, Zochodne, Benzie, Nanji

Lysyk:

- I've only had an opportunity to review it very briefly

Media: OK.

Lysyk:

- Today

Brulé: I just want to go back to your last questions with Mr. Tabuns. He mentioned that if the, the, the money that's put aside for, as a debt, really, to, to give consumers those rebates. Is it going to be counted as an actual debt towards the, the, the total debt of the province?

Lysyk:

- Yeah, we've, we've looked at the bill and basically at the end of the day there are parts of that that do not meet public-sector accounting standards in the way the transaction is being structured
- And so at the end of the day, the borrowings would be borrowings for the province on its financial statements

Brulé: but it's going to cost more?

Lysyk:

- My understanding from the FAO is that it will cost more

Brulé: and—

Lysyk:

- Well, yeah

Brulé: --and the FAO said ask the members of the assembly to get the assurance from you that it would actually be counted—

Lysyk:

- Yeah

Brulé: --what can you tell them, do they have that ass-, assurance?

Lysyk:

- You know, I guess what we're saying is that if the transaction continued to be designed the way it is currently designed, that when it came for me to opine on the financial statements and the financial statements showed the transaction set up, as designed, that would put me in a position where I would likely qualify the government's financial statements—both its balance sheet and the statement of operations

Brulé: so it's not just a debt we're taking outside on, on this side—'we're taking a little debt'. It's still—as a, a household would contracting a debt for a new car or—?

Lysyk:

- Well, the government's statements are representative of the whole pi-, the whole picture of the government sector, right?
- It includes the electricity sector
- So the difference between what's being paid to the power producers and what's being collected from the ratepayers really is a policy decision impact
- And it would show as a bottom-line impact on the government's statements under public-sector accounting standards

Zochodne: are you going to end up in a situation similar to what happened with the accounting for the, the public sector pension plans? Where you disagree with the government and they just go ahead and do it anyway?

Lysyk:

- You know, I mean, the government will do what the government will do
- My job is to opine on whether the actions taken—the transactions recorder—are in accordance with public-sector accounting standards
- So it's similar to the pension issue
- Based on what we know to-date on this transaction, we would say that it is being structured in a way that's not in accordance with public-sector accounting standards

- So it—but, you know, I, I, I guess I'm hoping that there's opportunity for the government to revisit this and to, you know, work with us in discussing this transaction and seeing whether the accounting can be in accordance with public-sector accounting standards

Zochodne: did the government consult with you at all before it settled on this method of producing?

Lysyk:

- No unfortunately the government did not consult with us
- neither did the provincial controller's office
- our advice was not sought on the proper accounting under public sector accounting standards

Brule: what would be the appropriate accounting practice in this case?

Lysyk:

- In this case you know - we believe that it would be debt of the province and that the difference between the amounts paid to the power producers and the amount collected from the consumers would show up eventually as an impact on the bottom line of the government's financial statements
- and that interest would also show up on the government's financial statements for the borrowings that are occurring

Brule: so it could end up being a deficit?

Lysyk:

- Depending on what the bottom line is
- It would increase the expenses
- Is what I'm saying
- And the net debt would be properly presented

Brule: Are you studying the fair hydro plan? Is it something that will be in your next special report or annual report?

Lysyk:

- Yeah
- We will be doing you know our report on it, I haven't decided whether that report will be a separate report or it will be contained in our annual report in December
- But I think it does warrant some discussion, yes

Brule: Anything else that warrants some discussion in that plan?

Lysyk:

- Uh, no
- Just that, this is an important issue
- It is precedent setting in terms of public sector accounting in Canada
- You know the standards in Canada are supposed to speak to the Canadian situation
- Reference to US accounting when there are Canadian standards is not appropriate

*Zochodne: Have you ever seen a structure similar to what like the FAO laid out today and that the province *inaudible* OPG and *inaudible* going to create this OPG trust and that's going to be the sort of vehicle that buys up - some sort of define asset that *inaudible* hydro bill money, has that ever been done as far as you know?*

Lysyk:

- I think when we sit back and look at this we do wonder why, you know, a lot of efforts been spent by a lot of people to try and design an accounting structure where at the end of the day what we have here is a financing structure
- We have money being borrowed to cover, you know, a policy decision which is government's prerogative
- But all we say is that it should be reflected in the bottom line of the consolidated statements for the province of Ontario