RESPONSE TABLE

Issue/Consideration	Strategy	Key Messages
Pension Asset Accounting: Auditor General's qualified opinion	Confirm that the province will continue to follow PSAS, as always, and seek appropriate expert guidance where PSAS is silent. Highlight supporting perspectives from external consultants.	The government continues to move forward and present the province's finances fairly and accurately and in accordance with Canadian Public Sector Accounting Standards (PSAS). The government respectfully disagrees with the Auditor General's interpretation of the accounting standards, as PSAS neither requires unilateral control to record an asset, nor does it include a requirement to obtain a letter from the co-sponsor of the plan agreeing to reduce further contributions within 12 months. The government is open to continue to discuss the matter in hopes of resolving this matter.
IESO Accounting: **1) Market Asset Accounts** **2) Rate-Regulated Accounting** **3) AG to audit IESO's 2017 statements** 4) OPG/IESO "inappropriate expenses" 5) Peripheral: OPG Executive Compensation	Confirm that the province will continue to follow PSAS, as always, and seek appropriate expert guidance where PSAS is silent. Re-iterate government's appreciation of the Auditor General's independent review and the IESO's recent unqualified audit record.	The government welcomes the Auditor General's independent review and remains committed to assisting her office in providing its views to the Legislative Assembly. The Independent Electricity System Operator's (IESO) change of accounting policy provides more transparency into the value of transactions that flow through Ontario's $17 billion electricity market and reflect the economic substance of certain types of expenses that may not be directly recovered through normal revenue requirement models, and instead are recovered through rate regulation. The IESO's recent accounting changes are supported by IESO's audit committee, board of directors, its independent external auditor and by the Office of the Provincial Controller. The IESO prepares its financial statements in accordance with PSAS, and received an unqualified, or clean, audit opinion on its 2016 financial statements.

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Fair Hydro Plan Accounting: "convenient/inappropriate accounting"	Highlight due diligence included in OFHP decision making Refuse to speculate about AG's potential future audit opinion. Emphasize that the province will continue to follow PSAS, as always, and seek appropriate expert guidance where PSAS is silent.	As part of Ontario's Fair Hydro Plan (OFHP), bills have been reduced for current ratepayers, and future ratepayers will in turn pay for their fair share of the significant investments that we've made to build a clean and reliable electricity system. This more fairly shares the cost of our investments across the generations of electricity ratepayers who will benefit from them. Given that the policy objective of OFHP is to more fairly allocate the cost to ratepayers over the useful life, not the contractual term, of the electricity generating assets, it was a primary policy objective to ensure that the costs are borne by the beneficiaries of the electricity system – the rate-base – not the tax-base. Based on this policy decision, it was decided that the debt obligation would be recognized as a regulatory asset that would be sold and securitized. This design appropriately aligns the costs and benefits within the group of eligible electricity consumers. Ontario Power Generation (OPG) was identified as the Financial Services Manager (FSM) responsible for the financing plans and the financing entity (i.e., Fair Hydro Plan Trust) that will manage the debt obligations. OPG has the necessary expertise to assist with refinancing the GA and will ensure that it is done efficiently and cost-effectively. OFHP operates under a financial and accounting framework that is appropriate for the intended purpose and in accordance with PSAS and ensures that the fairness goals underlying the program are achieved in a cost-effective manner. In developing the policy, the government considered a range of implementation options. Senior officials and staff from several departments and agencies, led by the Ministry of Energy, collaborated to plan a structure, identify risks and take necessary actions to meet the mandate. The government also consulted with legal, accounting, financial and energy sector third-party experts to provide advice and ensure due

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		diligence was completed. The province will continue to prepare its consolidated financial statements in accordance with PSAS. PSAS is silent on a key accounting issue regarding the OFHP – the standards neither explicitly permit, nor prohibit, the recognition, measurement, presentation, or disclosure of rate-regulated activities. In the absence of a clear position on an issue, standard accounting practice dictates that an entity should consult other accounting standards. In this case, IESO consulted US GAAP, the accounting framework in North America that provides the most developed guidance on rate regulated operations.
Pre-Election Report: "government should publicly communicate if and when"	Re-iterate the government's commitment to working with the Office of the Auditor General. Confirm that the government will, as always, continue to follow the relevant legislation.	Under the *Fiscal Transparency and Accountability Act, 2004*, the government may file a regulation that would require it to release a Pre-Election Report on Ontario's Finances. Should the government file such a regulation, the Auditor General would be required to issue a statement based on a prompt review following the release of such a Pre-Election Report. The government remains committed to meeting the legislative requirements of the Act, and working constructively with the Auditor General.
Debt Reduction Plan: "Ontario has the highest sub-sovereign debt in the world"	Re-iterate government's track record of responsible fiscal management and provide high-level overview of debt reduction plan.	The government's long-term infrastructure plan to invest about $190 billion over 13 years, starting in 2014-15, will contribute to the growth of the economy. The Centre for Spatial Economics found that for every $1 spent on public infrastructure, GDP increases by up to $6, on average, in the long term.
"Legislated Accounting"	Emphasize that the province will continue to follow PSAS, as always, and seek appropriate expert guidance where PSAS is silent.	The *Ontario Fair Hydro Plan Act, 2017* and its related regulations do not create accounting rules or legislate the accounting. It is important to distinguish legislating the accounting from legislating the right of the government to recover amounts from specified ratepayers in the future,

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	Provide example of the only time legislated accounting was used; explain how OFHP does not legislate accounting.	which in the absence of legislation, would have been collected from specified ratepayers as the costs were incurred. The province, as always, will prepare its consolidated financial statements in accordance with PSAS, including the transactions resulting from Ontario's Fair Hydro Plan.
Use of External Advisors: Perception that the government looks to external advisors to circumvent the Auditor General	Confirm that the province seeks external expertise when appropriate as a normal course of business.	The government's use of external expertise for accounting and financial reporting matters supplements its own resources on complex or emerging accounting and reporting matters. External advisors are generally engaged to provide advice and guidance to supplement internal analysis, and in the normal course of business.