Fw: FYI - Media reaction to AG report on Fair Hydro Plan (CBC story and Twitter) - as of 11 am

From: "Prins, Sebastian (TBS)" <sebastian.prins@ontario.ca>
To: "Pichelli, Jason (TBS)" <jason.pichelli@ontario.ca>, "Gallant, Gabrielle (TBS)" <gabrielle.gallant@ontario.ca>
Date: Tue, 17 Oct 2017 11:04:22 -0400

See Allison Jones tweet

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Bigley, Jane (TBS) <Jane.Bigley@ontario.ca>
Sent: Tuesday, October 17, 2017 11:02 AM
To: Balgobin, Sueanne (TBS); Liu, Mary (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Ue, Allison (TBS); Walsh, Laura M. (TBS); Gallant, Gabrielle (TBS); Prins, Sebastian (TBS)
Cc: @TBS-L-Issues and Media; @ENERGY-COMM-Issues_and_MediaRelations; Laughton, Patrick (TBS); Hosick, Sarah (TBS)
Subject: FYI - Media reaction to AG report on Fair Hydro Plan (CBC story and Twitter) - as of 11 am

Auditor General blasts Kathleen Wynne's 'Fair Hydro Plan'

Special report by Auditor General Bonnie Lysyk probes how 25 per cent cut to hydro bills is funded

By Mike Crawley, CBC News **Posted: Oct 17, 2017 10:46 AM ET** Last Updated: Oct 17, 2017 10:47 AM ET

The Wynne government is not properly accounting for the $26 billion in debt the province is taking on to cut the price of hydro, Ontario's auditor general said in a critical report released Tuesday.

Auditor General Bonnie Lysyk conducted an investigation into the financing of what the Ontario Liberals call the "Fair Hydro Plan." The plan has reduced the average household electricity bill in the province by 25 per cent from the peak in the summer of 2016.

The government is financing the lower hydro bills by borrowing $26 billion, but the debt is being funneled through Ontario Power Generation, so will not appear on the province's books. Electricity customers will pay off that debt through rate increases spread out over the next 30 years.

Lysyk is questioning the government's move to keep the debt off its bottom line.

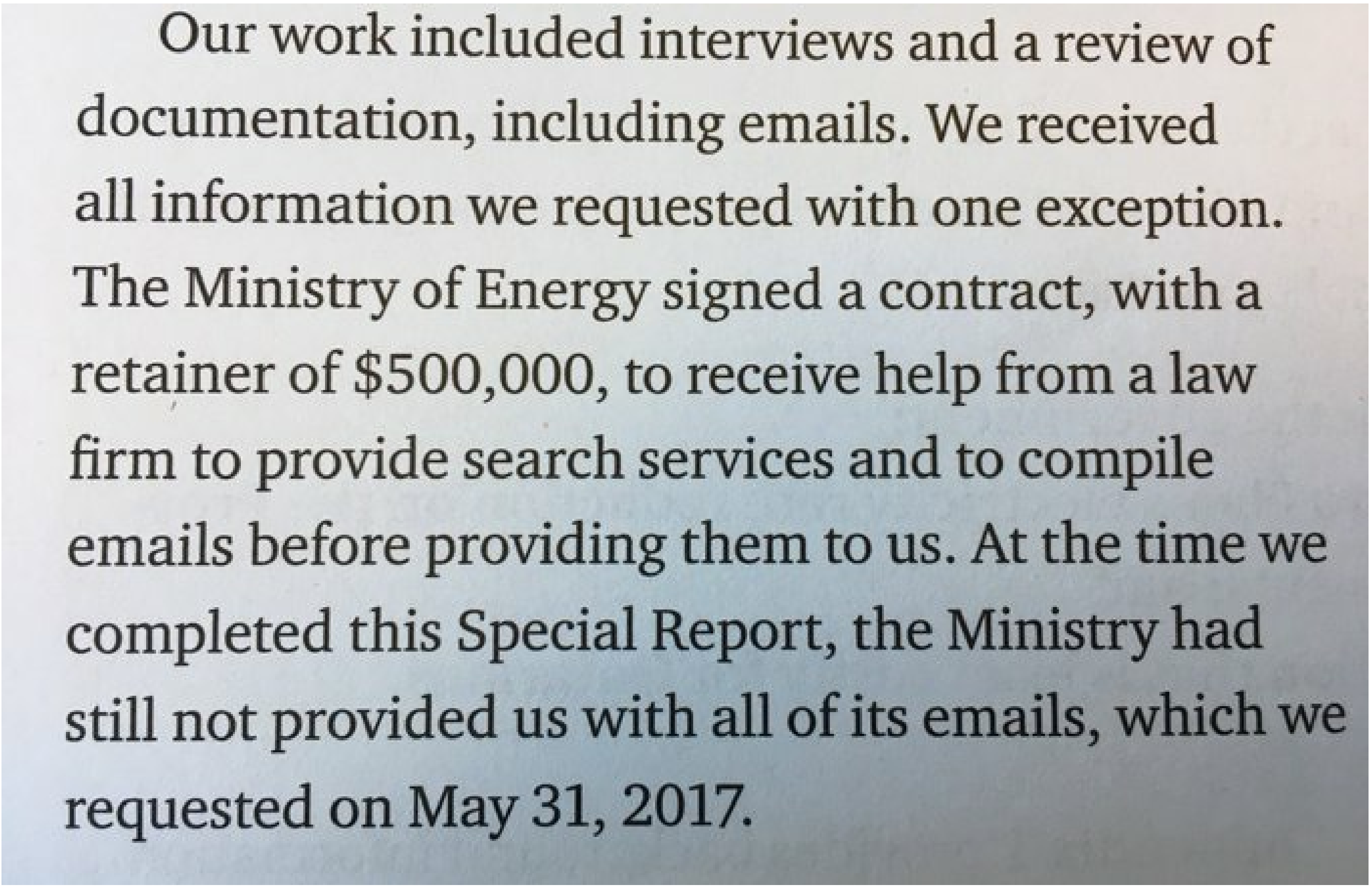
"The government created a needlessly complex accounting / financing structure for the electricity rate reduction in order to avoid showing a deficit or an increase in net debt," said Lysyk in the report, tabled Tuesday morning in the Legislature.

Ontario's financial accountability officer has already described the scheme as a "complicated accounting structure" that will increase gross debt by approximately $26 billion by 2027-28, but not show any impact on the government's books.

More to come

TWITTER

10:59 **Allison Jones** @allisonjones_cp
Here's an interesting tidbit from the @OntarioAuditor hydro report # onpoli



Our work included interviews and a review of documentation, including emails. We received all information we requested with one exception. The Ministry of Energy signed a contract, with a retainer of $500,000, to receive help from a law firm to provide search services and to compile emails before providing them to us. At the time we completed this Special Report, the Ministry had still not provided us with all of its emails, which we requested on May 31, 2017.

10:59 **Geoff Zochodne** @GeoffZochodne
choose-your-own-adventure bookkeeping

10:57 **David Reevely**
@davidreevely
Replying to @davidreevely
Anyway, point is, Ontario now has ... four? sets of books, depending whether you trust the government or the auditor general on accounting.

10:56 **Alan Carter**
@ACarterglobal
Quick numbers from AG report on Hydro Plan: Will cost $4b more than necessary, 2028 onwards we pay more than actual cost of hydro. # onpoli

10:53 am @allisonjones_cp
All # onpoli watchers will be thrilled/shocked to learn the AG's report on the govt hydro plan boils down to another accounting dispute.

10;50 am **David Reevely**
@davidreevely
Replying to @davidreevely
Bureaucrats tried to talk the Liberals out of this, AG says. Also, the government pooh-poohs the $4B estimate, doesn't have a better one.

One senior official commented in an email: "Hopefully they'll come to the conclusion that it can be financed by the province...rather than externally, as that would be a lot simpler and cheaper." But the much more complicated and costly route shown in **Figure 2** was chosen in order to keep deficits and an increase in net debt from showing up on the Province's books.

The government's decision to create a complex structure to avoid showing a deficit and net debt on the Province's statements was made when it was estimated that the additional interest cost could be up to $4 billion. The Ministry of Energy indicated that as of October 2017, it was projecting overall interest cost to be less than that cited in the FAO report. However, the Ministry of Energy did not provide us with a re-estimate of this figure.

10:50am · 17 Oct 2017 · TweetDeck

10:49 **ike Crawley**
@CBCQueensPark
BREAKING: Auditor General blasts Kathleen Wynne's 'Fair Hydro Plan' cbc.ca/news/canada/to…

10:47 **David Reevely**
@davidreevely
Replying to @davidreevely
The tricksiness, again, is to cost $4B. All in addition to the underlying costs of borrowing and repaying later of about $17B.

10:46 **Cristina Howorun**
@CityCristinaH
Essentially- the government was trying to use tricky math....

Auditor General ON @OntarioAuditor

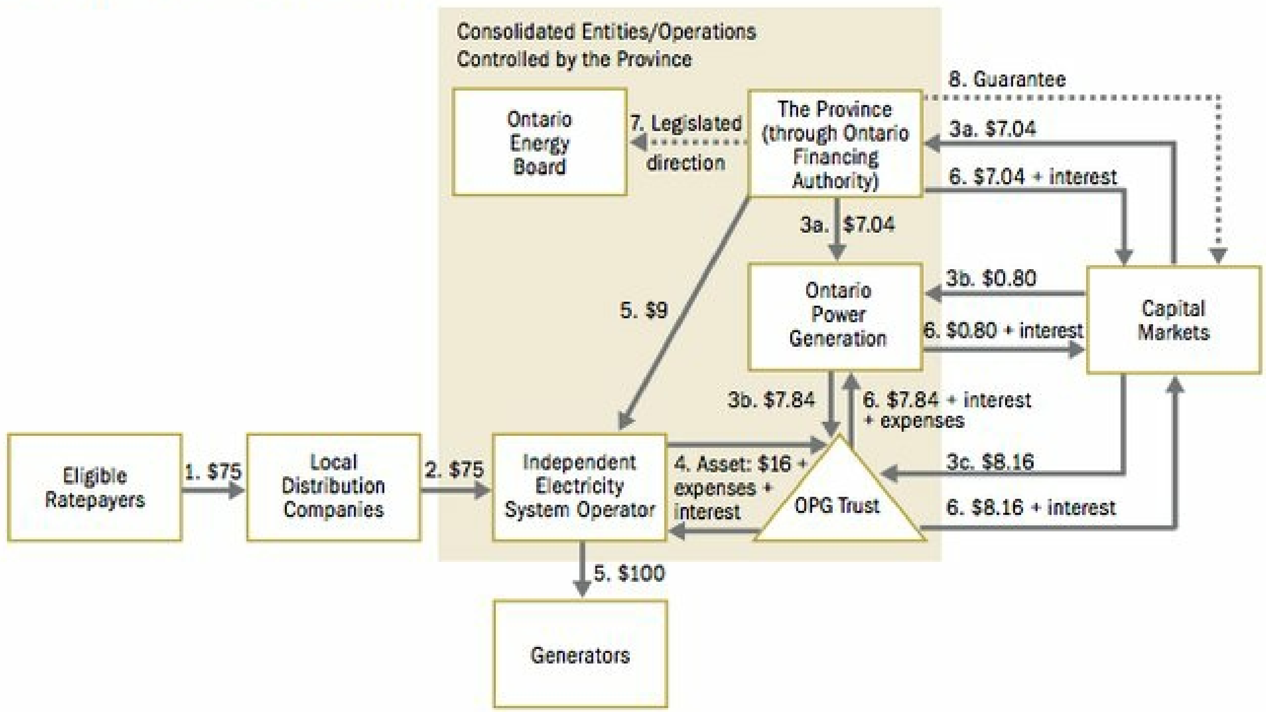
Auditor General Says Government Plans to Obscure the Financial Impact of Electricity Rate Cuts # onpoli auditor.on.ca/en/content/new…
10:46am · 17 Oct 2017 · Twitter for iPhone
Brampton, Ontario, Canada

10:34 **Auditor General ON**
@OntarioAuditor
Auditor General Says Government Plans to Obscure the Financial Impact of Electricity Rate Cuts # onpoli auditor.on.ca/en/content/new…

10:43 **Alan Carter**
@ACarterglobal
This AG report can't be understood without knowing the background of the accounting debate between Liberals and AG Bonnie Lysyk. 1/

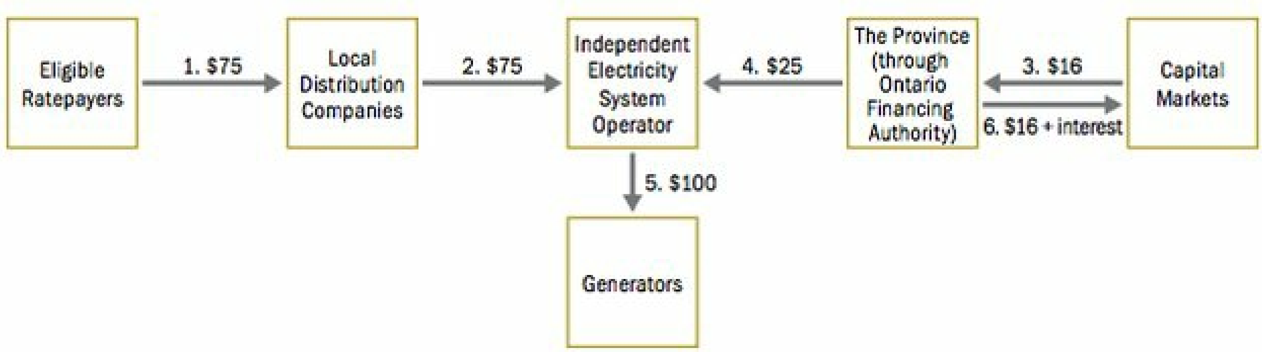
10:43 **David Reevely**
@davidreevely
Replying to @davidreevely
Whereas this is the way the government has structured the transactions, to keep the billions in debt off the government books.

Figure 2: The Form of the Planned Accounting/Financing Transactions
Prepared by the Office of the Auditor General of Ontario



10:43 **David Reevely**
@davidreevely
This is the way the money is really moving for the Fair Hydro Plan, the auditor general says.

Figure 1: The Substance of the Accounting/Financing Transactions
Prepared by the Office of the Auditor General of Ontario



10:42 **Alan Carter**
@ACarterglobal

AG report on the 25% hydro discount says Liberals created complex financial structure to hide true cost. # onpoli

10:41 **Paul Bliss**
@blissblogs
NEW-Auditor Gen says gov 25%hydro discount plan "hides the real financial impact of gov's electricity rate reduction frm Ontarians" # onpoli

10:37 **David Reevely**
@davidreevely
Replying to @davidreevely
Says the AG: Just the way the Ontario government is keeping the Fair Hydro Plan's costs off the public books will cost us $4B extra.

10:37 **NEWSTALK1010**
@NEWSTALK1010
BREAKING : Ontario's Auditor General says the Liberal gov't plan to cut hydro rates by 25% could cost "up to $4 billion more than necessary"

10:36 **David Reevely**
@davidreevely
The Ontario government is playing fast and loose with its hydro accounting, the auditor general says.

(TORONTO) In a Special Report, the Auditor General says the government created an unnecessary, complex financing structure to keep the true financial impact of most of its 25% electricity-rate reduction off the Province's books—a decision that could cost Ontarians up to $4 billion more than necessary in interest costs over the next 30 years.

The Province is proposing to use accounting that does not follow its own policy for preparing financial statements under independently set Canadian Public Sector Accounting Standards. This hides the real financial impact of the government's electricity rate reduction from Ontarians by understating future annual deficits and net debt.

"The accounting proposed by the government is wrong and if used would make the Province's budgets and future consolidated financial statements unreliable," said Bonnie Lysyk after the report was tabled. "This cannot be taken lightly.

"We're not questioning the government's policy decision to give Ontarians a discount on their electricity rates. What we *are* questioning is how the government is going to report the effects of that decision to the people of Ontario. There's still time to fix it, and we're encouraging the government to do so."

10:36am · 17 Oct 2017 · TweetDeck

10:36 A **lan Carter**
@ACarterglobal
The headline from AG report on @Kathleen_Wynne Fair Hydro Plan. # onpoli

The Fair Hydro Plan: Concerns About Fiscal Transparency, Accountability and

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

News Release

For Immediate Release **October 17, 2017**

Auditor General Says Provincial Government Plans to Obscure the Financial Impact of Electricity Rate Cuts

(TORONTO) In a Special Report, the Auditor General says the government created an unnecessary, complex financing structure to keep the true financial impact of most of its 25% electricity rate reduction off the Province's books—a decision that could cost Ontarians up to $4 billion more than necessary in interest costs over the next 30 years.

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"The accounting proposed by the government is wrong and if used would make the Province's budgets and future consolidated financial statements unreliable," said Bonnie Lysyk after the report was tabled. "This cannot be taken lightly.

"We're not questioning the government's policy decision to give Ontarians a discount on their electricity rates. What we are questioning is how the government is going to report the effects of that decision to the people of Ontario. There's still time to fix it, and we're encouraging the government to do so."

In reaching its conclusions, the Office of the Auditor General obtained extensive advice from Canada's current Auditors General, a former Auditor General of Saskatchewan and British Columbia, and external advisers, including the recently retired Director of the Canadian Public Sector Accounting Board.

The Special Report, titled *The Fair Hydro Plan: Concerns about Fiscal Transparency, Accountability and Value for Money*, examines in detail the "needlessly complex" financing structure the Ontario government created to achieve the accounting result it desired.

According to the Financial Accountability Office of Ontario, the total cost of the Fair Hydro Plan's electricity rate reduction is estimated to be $39.4 billion over 30 years, including about $4 billion in extra interest charges. These charges are "extra" because the Province does not plan to borrow all the money directly. Instead, the financial structure the government designed has other government entities, including Ontario Power Generation, borrowing at higher interest rates.

"Internal records show that senior government officials were aware their approach to borrowing could result

10:34 **Paul Bliss**
@blissblogs
NEW-Ont Aud-Gen slams Wynne gov "unnecessary, complex financing" to give 25% hydro bill cut. Costs $4Billion more in interest pymts # onpoli