additional comments on TB submission (not reflected in paper) for your consideration

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Mon, 08 May 2017 14:59:03 -0400

Objective: Provide immediate ratepayer relief by capping rate increases at Consumer Price Index (CPI) for four years and refinancing GA costs over a longer period of time. Develop and implement a financing structure that increases provincial borrowing, but has no impact on annual provincial surplus/deficit.

Risk	Level of Risk	Risk Response
The determination of the appropriate legal and accounting treatment to be applied to the financing model may result in the costs of GA smoothing being allocated to the province.	**Risk Likelihood:** Possible **Risk Impact:** Critical **Time Scale:** 6 to 12 months **Rationale:** · The structure of the GA deferral was designed to result in an increase in provincial borrowing, no increase in net debt and no impact on surplus/deficit. · The proposal assumes GA refinancing does not have a fiscal impact because the legal authority and accounting treatments are met. · If a favourable legal and accounting treatment is not implemented, there would be a negative impact on the province's fiscal plan of $2.5B in 2017-18 and rising. [NP1] · Rating agencies and investors in Province's debt may view all of the borrowing as an obligation of the Province, [NP2] which could put pressure on the Province's credit rating and overall borrowing capacity. · Proposed structure may result in negative response from Ontario Auditor General (OAG) due to previous concerns regarding recognition of rate regulated assets and liabilities. The OAG may take this into account when the provincial books are audited. · Initial assessment of the accounting considerations suggests that the proposed model is in alignment with established accounting standards.	Risk can be mitigated by: · Commissioning external opinions on the legal, fiscal and accounting requirements, which could be used by the Province to justify structure of financial model and be utilized in discussions with the OAG. · Properly assess the fiscal impact of risks related to outstanding balances on the IESO's books as at March 31st of any fiscal period and revise financing plan to minimize risks. .

[NP1] As much as – perhaps not the entire amount.
[NP2] Provincial guarantee for market disruption would certainly support this perspective.