Rosemarie Leclair

From:	Rosemarie Leclair
Sent:	October 18, 2017 8:38 AM
To:	Neil Brodie
Subject:	Re: LEgislative Affairs

I got an invite from DM . No need to look further

Sent from my iPhone

On Oct 18, 2017, at 7:45 AM, Neil Brodie <Neil.Brodie@oeb.ca> wrote:

Apparently at some point yesterday it came out that the LTEP would be released on Thursday October 26, I'm trying to find that reference.

Auditor general report
Auditor General **Bonnie Lysyk** released her special report on the government's accounting treatment of the Fair Hydro Plan on Tuesday morning.
Lysyk said the Liberal government has not recorded "the true financial impact of its energy rate reduction plan." Instead, it is hiding the cost of refinancing the Global Adjustment (GA) from its budget and financial statements. Lysyk said **Bill 132**, the Fair Hydro Act, was designed to allow the government to create "needlessly complex" accounting rules, obfuscate the financial impacts of its borrowing plan, and avoid showing a budget deficit or an increase in net debt.

A stern Lysyk said she is required to "speak out" when the government is not presenting financial information "fairly." She characterized the government's move as "bigger than an accounting dispute."

Lysyk does not oppose the government's policy of refinancing the GA, but is critical of it designing legislation that "keeps off the books the full impact of the policy decision."

Fair Hydro Plan costs

The Fair Hydro Plan puts taxpayers on the hook for $21 billion in borrowing costs and accumulated interest in order to lower electricity users bills' by 16 per cent until 2027. This figure includes $4 billion in extra interest costs that result from the Fair Hydro Plan's accounting structure, which puts OPG in charge of borrowing to refinance the costs of electricity infrastructure, instead of the government. OPG borrows at market rates, so it must pay a higher interest rate than the province would pay, a cost the AG called "needless."

Energy Minister **Glenn Thibeault** — who opened by saying the "government of Ontario does not agree with the assertions and conclusions in this report" — said OPG is best equipped to handle the financing because it currently manages $20 billion in nuclear funds and has extensive experience with regulatory deferral. He also said it's appropriate for ratepayer assets to be separate from the government.

OPG's GA trust is in the process of being rated by credit ratings agencies, which could lower its interest rate on the refinancing debt, potentially reducing the $4 billion impact of borrowing on

ratepayers.
Thibeault and Treasury Board President **Liz Sandals** defended the GA refinancing as good policy that is "appropriate for its intended purpose."

Deputy Minister of Energy **Serge Imbrogno** told the Standing Committee on Estimates later Tuesday afternoon that, since the ministry had updated its debt numbers from $28 billion to $20 billion, the AG's $4 billion figure was also off by upwards of $2 billion.

Accounting treatment

Lysyk railed against the government's accounting treatment, saying the government cannot claim it is using Canadian Public Sector Accounting Standards when it is actually using its own "inappropriate legislated accounting."

She said the government appears poised to accept a "qualified" or "adverse" audit opinion from her office, a move that would not be acceptable in the private sector.

Ministry of Finance officials said it is sometimes necessary for governments to refer to other public sector accounting standards, such as U.S. standards — which it did in this case — when Canadian standards do not provide directions for a specific problem.

Sandals said, because Ontario is Canada's biggest province, it needs to act more like U.S. states that also operate with IESOs.

Thibeault said the rate-regulated accounting structure the government is using is "well established and well-recognized."

Internal documents
Based on emails she obtained during her research, Lysyk determined the government gave officials and private-sector advisers instructions to ensure "the accounting treatment for the 16 per cent rate reduction should not affect the fiscal plan."

Thibeault denied this was part of the government's mandate. In a statement, he said the goals of the government's policy were to create the most efficient GA refinancing system and to "ensure that the deferred costs are borne by the rate-base, as the beneficiaries of the electricity system, and not the tax-base."

According to Lysyk, more-than-one design option was rejected because it would have resulted in an increase to the province's deficit or debt. She also reviewed emails from senior energy officials that warned the design of the program would result in higher costs for Ontarians. The government spent $2 million on external private-sector advisers during the design process.

Lysyk also reported that the Ministry of Energy signed a $500,000 contract with a law firm to provide search services and to compile emails before providing them to the AG's office, but they have not yet been released. Thibeault said they are coming.

Responses

• PC leader **Patrick Brown** said the "Unfair" Hydro Plan is a re-election ploy that was "drafted to benefit the Wynne Liberals, not the people of Ontario." Brown said if the Liberals are re-elected, electricity rates will only continue to soar.

• NDP Energy critic **Peter Tabuns** said the government is just trying to make it look like it's not running a deficit. “That’s the heart of all of this. They can spend as much time as they want talking about different accountants they hired. In the end, it’s $4 billion more that we are spending that we don’t have to pay.”

• CUPE president **Fred Hahn** said in a statement that the AG report reveals the "fiscal and moral bankruptcy" of the Liberal government’s Fair Hydro Plan.

Question period

Tuesday’s question period coincided with the release of the AG report, leaving MPPs with little option but to repeat questions from Monday’s session.
When PC leader **Patrick Brown** and NDP MPP **Peter Tabuns** tried to ask about the report about halfway through question period, Energy Minister **Glenn Thibeault** said he would not discuss it until members of the legislature and the media received technical briefings from the AG and the Ministry of Energy later that day.