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

News Release

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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.

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."

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 in Ontarians paying significantly more than necessary," Lysyk said.

The Special Report recommends the government report the true financial impact of its electricity rate reduction plan in the Province's budgets and consolidated financial statements, and use the least costly financing structure to fund the electricity-rate reduction.

-30-

For more information, please contact:
Bonnie Lysyk
Auditor General
(416) 327-1326

Visit www.auditor.on.ca to read the Report.

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