

**From:** [REDACTED]  
**To:** [Commission Secretary BCUC:EX](#)  
**Subject:** Emerging debt crisis for British Columbian taxpayers  
**Date:** Wednesday, August 30, 2017 4:29:14 AM

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Dear Commissioners,

This commentary highlights the hidden financial obligations that's BC taxpayers are committed to paying.

Site C is a part of the total of \$ 190 plus billion of accumulating debt. This cannot be camouflaged by Enron style accounting and other fraudulent accounting slights of hand.

Submitted

Arthur A. Hadland

This is a synopsis of the total debt of BC's taxpayers. I believe it is actually a bit higher. It is a direct consequence of a party system where nominees are vetted and contractually obliged to follow party leaders. The role of the party whip as an enforcer completes the subservience of our supposedly democratically elected representatives. If you have thought that elected party members freely represent your communities interests please think again. That is why I challenge voters to think independently, act independently and vote independently.

The following letter to Mr. Yake who is a representative of Moody's Bond rating agency. It is a self-explanatory measurement of the debt commitments that have been placed on the backs of the taxpayers of BC without your consent.

Yours truly,

Arthur

Moody's Bond rating Agency c/o Mr. Yake...

Dear Mr. Yake,

The taxpayers of British Columbia have become the victims of their government and public utilities ineptitude. Since 2005 when the IPPs and PPPs were introduced as vehicles to transfer large bulks of wealth from the public purse (citizens) to private interests the total accumulated debt has risen from about \$35 billion to an estimated \$190 billion. This is an extrapolation of a graph prepared by Dr. Sandra Hoffman in 2010. My research shows that the taxpayers are now faced with the following 2016 debt commitments as follows: (please correct me if I am inaccurate as this is a layman's calculation)

General Provincial Debt \$65 BILLION ( one of the highest in Canada)

BCHPA (conventional debt) \$15 BILLION ( very poor business practices)

Deferred debt \$ 5 BILLION (Fraudulent accounting as per ERON practices)

Site C (estimated debt so far) \$ 4 BILLION ( There is no BCUC overview, why not???)

Independent Power Producers \$55 BILLION (The contracts of IPPs are a secret and the power is often not needed. [According to the AG's office this is the highest provincial amount in Canada](#))

Private Public Partnerships \$45 BILLION (These PPPs are our public infrastructure which we have backstopped with taxpayers monies)

BC Ferries Corporation \$ 1 BILLION

**Grand Total is estimated \$190 BILLION ( this is a debt obligation of \$ 42,220.00 for every man, woman and child in BC)**

Note that Alberta's debt is **\$16 BILLION** and the small country of Norway with a similar population, geography and resource base to BC has a **positive balance of \$700 BILLION**.

This actual debt is camouflaged by referring to the IPPs and PPPs as contractual obligations. Again from a layman's viewpoint and a small businessman when I sign a contract for anticipated future gain these contracts are a liability to my business until I can extinguish these contracts. If I fail to meet these contracts it is a debt that I am obliged to payout. So in my definition a contractual obligation is a DEBT. I fail to see how government is any different!!!!

Debt is BAD in my household and it is BAD in my government's coffers. Remember that mortgage means an engagement until death.

The failure of government to use the BC Utilities Commission to complete an objective analysis of the future energy needs of the Province, the hiring of former ENRON staffers to introduce the fraudulent DEFFERAL accounts and many exaggerated energy demand forecasts have created the current debt crisis in BC. In summary unrealistic expectations are an indication of an inability to effectively plan for our future in BC. This emergency was highlighted by the former Auditor General Mr. Doyle, before he vacated his position and departed to Australia. It was up to the current Auditor General, Ms. Bellringer to ring the alarm bells concerning this emerging debacle.

Unfortunately the integrity of this office has become a casualty of party politics.

Mr. Yake it is now up to your agency to highlight this escalating financial fiasco to the people of British Columbia who are your clients.

I am requesting:

1. Confirmation of the total provincial financial obligations including outstanding contracts.
2. Provision of a legitimate repayment plan to extinguish this escalating debt by the Province.
3. Your agency's assurance that it is operating at an Arm's Length in assessing future financial health of BC.
4. A reply in writing.

Yours truly,

Arthur A. Hadland, citizen and taxpayer

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### **Harry Swain on BCHydro and convenient accounting**

*This is the transcript of part of a presentation, in which Harry Swain is answering an audience question. The event took place in Saanich in mid-February. Dr Swain, an Associate Fellow at University of Victoria Centre for Global Studies, chaired the 2014 federal-provincial review panel evaluating the impact of the \$8.8 billion Site C dam.*

We, together, the 4.5 million residents of BC, are not very good at arithmetic. We are not interested in it. We don't pay attention to it. We go to sleep. These are big numbers. Who can tell a billion from a million? Let me very quickly give you another story that is related to this. Every utility in Canada operates under Canadian Generally Accepted Accounting Principles, Canadian GAAP, right? The Government of British Columbia has a law in its financial administration act that says that all entities of the Government of British Columbia including departments, commissions, and crown corporations will keep their books according to Canadian GAAP—except ... when inconvenient. A few years ago, there was a change in the

basic accounting standard, to the International Financial Standard, you know. It meant that companies had to account for things like pension liabilities as they occurred. So, if you have got your employees pension sitting over here and the market goes down, you were supposed to account for that as an obligation of the company, it goes onto your cost, it lowers your profits, and so on. Right? This was inconvenient for BCHydro and for its owner [the BC government], because in the 2008 year the value of their pension fund dropped by a couple hundred million dollars, and this would have to be recorded as a loss, and it would reduce the rather notional profit that BCHydro made, and therefore the dividend that Victoria could claim. The dividend is important to a Minister of Finance who wants to claim that he is financially prudent. Aright. So. What do you do in such a circumstance? Well, the easy thing is change the accounting standard. So, suddenly there is a midnight Order In Council that said that BCHydro, alone among all, will do its accounting according to an American standard called FASB 98 which is fairly generous on the issue of deferral accounts. A deferral account is set up by a corporation when it has got, let's say, very lumpy capital expenditures and a steady stream of income, and it doesn't want— as in the case of utility—to face its customers with a big increase one year and a decrease the next year, and so on and so forth. People seem to be happier when their rates are steady. So, deferral accounts are normal in the utility business. They usually never amount to more than 6 or 7% of the equity of the company, which in our case would be a couple hundred million dollars. BCHydro has now run up deferral accounts over \$5 billion. Just to give you an example of a deferral account, they have income which they can accurately, pretty accurately, forecast because the rates have been approved by the BC Utilities Commission (BCUC) for the next couple of years, right? So, that income can, if you want, be accounted for now. (Prudently you would account for it only when you get it.) In the out years, let's say from 2019 onward, Hydro says it needs a 14% increase in rates— and that's the number—and we know that the government isn't going to stand for it, but they, nonetheless, put that sum in a deferral account, say that it is money that is owed to them by us, or our kids. It is therefore income in the present year. It counts as part of the notional profit of BC Hydro, on which, or from which, water rentals and dividends are paid. Now, how'd they get there? The American standard allows these deferral accounts to be set up only if the amounts are approved by an independent third party regulator. Aa-ha! So, guess what, a little later there is another midnight Order In Council that says that BCHydro will now operate according to the FASB 98 standard— with no mention of a regulator. They can make it up. They don't have to have a regulator look at it. Now, all that is assuming that you even think that BCUC is in fact an independent regulator at this point, subject as it is to government orders, directions, and what not—whenever convenient. This transcript is available courtesy of Norman Farrell's blog In-Sights and, Ed Johnson's Saanich Report.



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