# RE: GA Smoothing Update

**From:** "Foster, Robert (CAB)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=foster, robert (cab)706">
**To:** "Simone, Nicole (TBS)" <nicole.simone@ontario.ca>
**Date:** Tue, 14 Feb 2017 13:51:25 -0500

Ohhhhhhhhhhhhhhhhhhhhhhhhhhhhhhhhhhhhh. So now you are interested.

**From:** Simone, Nicole (TBS)
**Sent:** February 14, 2017 1:50 PM
**To:** Foster, Robert (CAB)
**Subject:** RE: GA Smoothing Update

Sounds good. KM has a conflict, so I'll join as well.

**From:** Foster, Robert (CAB)
**Sent:** February 14, 2017 1:49 PM
**To:** Simone, Nicole (TBS)
**Subject:** RE: GA Smoothing Update

He'll still want to talk ;) even if just a bit more briefly.

**From:** Simone, Nicole (TBS)
**Sent:** February 14, 2017 1:48 PM
**To:** Foster, Robert (CAB)
**Subject:** FW: GA Smoothing Update

**From:** Hosick, Sarah (TBS)
**Sent:** February 14, 2017 1:47 PM
**To:** Laughton, Patrick (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS)
**Subject:** FW: GA Smoothing Update

FYI

**From:** Veinot, Cindy (TBS)
**Sent:** February-14-17 1:43 PM
**To:** Davidson, Steven (CAB); Angus, Helen (TBS); Hughes, Karen (TBS)
**Cc:** Hosick, Sarah (TBS)
**Subject:** GA Smoothing Update

Steven,

As requested, below is an update from a meeting we had at noon re: the accounting issues related to the GA smoothing. The list below are the requirements that we identified in the deck last night excluding on option for IESO that we've taken off the table.

We risk ranked the issues re: being able to satisfactorily resolve the items – all were either High or Medium Risk – I've highlighted those ranked as **HIGH RISK**

1. IESO requirements – IESO mgmt, KPMG (Energy advisor and IESO auditor), OPCD and EY (OPCD advisor) are evaluating accounting risks

a. **HIGH RISK**-- IESO can recognize a regulatory asset for the shortfall between the amounts collected from the LDCs and the amounts paid to the PGsIESO uses GAAP hierarchy to support regulatory asset under PSAB, or
b. IESO can derecognize regulatory asset upon sale to OPG
c. " Market books " are reflected on corporate books

- OPG requirements – OPG mgmt, PwC (OPG auditor), KPMG (Energy advisor), and OPCD are evaluating accounting risks
    a. OPG Trust purchases regulatory asset from IESO – classifies as intangible asset
    b. **HIGH RISK** -- OPG consolidates Trust
    c. **HIGH RISK** -- OPG retains GBE status

Additional considerations raised:

- Structuring Changes -- re: OPG trust being consolidated by OPG – the preliminary analysis suggests that OPG would have to have an element of decision making over the activities of the trust, potentially borrow externally for some part of the debt required and be able to earn a profit; without these changes, OPG Finance believes that OFA would end up consolidating the trust (which would not work)
- OPG has spoken to PwC re: being able to issue an opinion for the OPG requirements and we have spoken to KPMG re: being able to issue an opinion re: IESO requirements – while based on initial discussions both are amenable to issuing opinions, they won't be able to do so without the actual agreements being drafted, which will take significant time.

Let me know if you still want to talk at 2:30.

Cindy

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