

RE: Media Inquiry: Canadian Accountant.com

From: "Prins, Sebastian (TBS)" <sebastian.prins@ontario.ca>
To: "Ernesaks, Andrea (OPO)" <andrea.ernesaks3@ontario.ca>, "@OPO-Media Relations and Issues Management" <opo-mediarelationsandissuesmgmt@msgov.gov.on.ca>
Cc: "Gallant, Gabrielle (TBS)" <gabrielle.gallant@ontario.ca>
Date: Wed, 25 Oct 2017 16:53:15 -0400

Thanks Andrea!

I'll make sure we provide that link.

From: Ernesaks, Andrea (OPO)
Sent: October 25, 2017 4:52 PM
To: Prins, Sebastian (TBS); @OPO-Media Relations and Issues Management
Cc: Gallant, Gabrielle (TBS)
Subject: RE: Media Inquiry: Canadian Accountant.com

Looks good Sebastian – Forge suggested it might also be good to provide a link to the backgrounder that went out

From: Prins, Sebastian (TBS)
Sent: October 25, 2017 3:52 PM
To: @OPO-Media Relations and Issues Management
Cc: Gallant, Gabrielle (TBS)
Subject: Media Inquiry: Canadian Accountant.com

Hey Jordan & PO,

The editor of www.canadian-accountant.com has asked us the three questions below. See the responses that we've provided. Probably the only place we'll ever be able to get into this sort of technical detail.

Let me know if you're fine with this going out. I'd like to have staff issue a statement still tonight.

Sebastian.

Questions and Response:

1. What firms advised the government in this decision?

In developing Global Adjustment refinancing, the government considered a range of implementation options and consulted with legal, accounting, financial and energy sector third-party experts (e.g. Navigant, KPMG, EY and Deloitte) to provide advice and ensure due diligence was completed.

2. Is it correct that ASPE were used and, if so, were there components of the standards that are used in particular U.S. states, rather than more generally applied?

The province's financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and will follow PSAS in accounting for the transactions resulting from the Ontario Fair Hydro Plan in 2017-18, as well as in the following years. Presenting financial statements in accordance with PSAS results in transparent financial reporting for the Province of Ontario.

PSAS is, however, silent on the recognition, measurement, presentation or disclosure of rate-regulated activities. In absence of a clear position on an issue, standard accounting practice dictates that an entity should consult other accounting standards (of which ASPE is one). However in this case, the Independent Electricity System Operator (IESO) consulted US GAAP, the accounting framework in North America that provides the most developed guidance on rate-regulated operations.

3. Did you employ any case studies for this decision and, if so, what area, jurisdiction, and comparables were used? (For example, was the choice of standards based on what electric companies in California use)

Many entities in Canada, including Ontario Power Generation (OPG) and Hydro One use rate-regulated accounting. Rate-regulated accounting is well understood in the electricity sector, and the approach selected was taken in that context. The recognition of regulatory assets brings IESO in line with 6 other independent system operators in North America, including AESO, ISO New England, NYISO, MISO, PJM and ERCOT.

The IESO management, IESO's Audit Committee, IESO's Board of Directors, IESO's external auditor and the Office of the Provincial Controller all support the use of rate-regulated accounting by IESO.

In the development of Ontario's Fair Hydro Plan (OFHP), the government consulted with several third party advisors in the application of accounting standards. This is normal course of business governments take for complex transactions.

Sebastian Prins

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