Re: ENERGY - AG Special Report Technical Briefing

From: "Eleanor McMahon, MPP" <emcmahon.mpp@liberal.ola.org>
To: Matt Riggs <mriggs@liberal.ola.org>, "Teliszewsky, Andrew (ENERGY)" <andrew.teliszewsky@ontario.ca>
Date: Tue, 17 Oct 2017 15:40:45 -0400

Hi Matt:

Thanks for this. Can you please share material that we can post to FB and via social media?

I'm thinking something short, and to the point, that outlines why we took the approach we did and how this is a difference of opinion with the AG?

The Minister's remarks might even suffice, but they can't be accessed because they were sent as a PDF.

Thank you,

EM

Sent from my BlackBerry 10 smartphone on the Bell network.

From: Riggs, Matt
Sent: Tuesday, October 17, 2017 1:11 PM
To: Riggs, Matt
Subject: ENERGY - AG Special Report Technical Briefing

Dear Caucus members and staff,
The Special Report from the Office of the Auditor General (OAG) focuses on the financial and accounting framework of Ontario's Fair Hydro Plan (OFHP).
Please find enclosed:

- Ministry of Energy detailed "Fact Sheet"

- Ministry of Energy Technical Briefing Deck

- Minister Glenn Thibeault's 1pm Media Statement (bilingual)

5 Quick Facts:

1. The government's **financial statements are prepared in accordance** with Public Sector Accounting Standards (PSAS), and will continue to follow these standards for the transactions resulting from Ontario's Fair Hydro Plan (OFHP) in 2017-18 and in future years.

2. The IESO will reflect the impact of the Global Adjustment (GA) refinancing using rate-regulated accounting:

a. Rate-regulated accounting better reflects the economic substance of IESO's operations and **enhances the relevance, transparency and accountability** of its financial reporting;

b. Rate-regulated accounting is well understood in the electricity sector. **Other Canadian electricity entities use rate-regulated accounting** – Ontario Power Generation, Toronto Hydro, Fortis Inc.; and

c. The recognition of regulatory assets **brings IESO in line with 6 other independent system operators in North America** – AESO (Alberta), ISO New England, NYISO (New York), MISO (Midwest United States), PJM (Eastern United States) and ERCOT (Texas)

3. **KPMG issued a clean opinion** in the audit of IESO's December 31, 2016 financial statements that included recognition of rate-regulated assets and market accounts.

4. **Deloitte was also consulted and confirmed** that an entity reporting under PSAS could have regulatory assets if rate-regulated. The IESO is rate-regulated by the Ontario Energy Board (OEB) in accordance with the Electricity Act and the Ontario Energy Board Act.

5. Further, the structure of the Ontario Fair Hydro Plan incents Ontario Power Generation (OPG), in its role as Financial Services Manager (FSM), to **keep the cost of borrowing to a minimum** by basing a portion of its management fees on its ability to achieve lower than forecast interest rates.

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