Introduction

Describe current state – cash expenditures recovered in current rates

Describe the objective of the FEP – lower current cost to ratepayers by deferring the recovery of cash expenditures to future periods (for energy already consumed by ratepayers).

Objective

Assess the impact of the FEP on the financial statements of the GRE.

Basis of Accounting

GRE – PSAS

OGOs – line-by-line consolidation – PSAS

GBEs – modified equity accounting – IFRS

Analysis (in general, IESO first, then standalone trust, then trust in GRE)

IESO is OGO, so impact on IESO will flow through to GRE

Describe role of IESO - market settlement mechanism

Describe initial impact of FEP on IESO – creates funding shortfall (for costs already incurred on energy already consumed by ratepayers)

IESO has concluded it can recognize the shortfall as a RRA (ref to GAAP hierarchy – relevance of US GAAP)

Describe general concept of RRA

IESO is an OGO – must follow PSAS in GRE

Discuss pros and cons of RRA recognition under PSAS

Show comparison of IESO JEs under both scenarios (RRA vs. no RRA)

Discuss need for funding of shortfall and proposed plan (sale of right to trust)

IESO has concluded that details of transaction would support sale treatment.

Discuss pros and cons of sale treatment

Assuming sale treatment, show comparison of IESO JEs under both scenarios (RRA vs. no RRA)

Impact of trust on GRE will depend on two things: (i) who controls the trust, and (ii) how transaction is reported in trust.

Assume, to start, that trust will apply IFRS (for province's CFS, OPG and H1 will be reflected on an IFRS basis, even though both entities will continue to report on a US GAAP basis)

OPG has concluded that trust will recognize intangible asset as a result of the purchase transaction.

Discuss pros and cons of sale treatment and recognition of intangible asset.

Show JEs

OPG has concluded they control the trust (discretionary decision) and, therefore, will consolidate.

As GBE, OPG is included in GRE using modified equity. Therefore, net assets of trust are included in GRE (investment in GBE).

Provide support for non-Provincial control of Trust and discuss pros and cons of control (include consideration as to whether Province could control if OPG doesn't).

Discuss 3020 issue if IESO cannot recognize RRA

Show comparison of JEs under both scenarios (modified equity via OPG vs. direct consolidation by GRE + sub-topics of RRA vs. no RRA).

Consider:

- Reference to OEB?
- Definition of an asset
- Reference to PSAS consolidation requirements (no requirement for independence and no elimination of assets/liabs of consolidated orgs upon consolidation just because province controls OEB)
- Impacts if OPG no longer controls the trust