RE: IESO related analysis

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Sun, 12 Feb 2017 16:27:44 -0500

Hi Cindy.
BC Hydro was regulated to follow IFRS and ASC980 and their transition was made early on. Since IFRS + ASC980 isn't an alternative fair presentation framework per se, one could argue that they had adopted IFRS earlier than Jan 1/16 (the effective date of IFRS14). The point being (from my perspective anyway) that there seems to have been some flexibility afforded to the applicability of IFRS14 when assessing the province's CFS and continuity of rate regulated accounting. N

-----Original Message-----
From: Veinot, Cindy (TBS)
Sent: February-12-17 10:38 AM
To: Petsche, Nadine (TBS)
Subject: RE: IESO related analysis

I thought that historically BC Hydro used IFRS except for rate regulated accounting where they applied US GAAP -- that may be their basis for adopting IFRS 14, as they had prepared rate regulated accounting historically.

-----Original Message-----
From: Petsche, Nadine (TBS)
Sent: February-12-17 7:25 AM
To: Lee Anne Probert; Suzie Gignac
Subject: Re: IESO related analysis

Hi Lee Anne.
I'm not sure if there's any plan for the entity to move to IFRS14. (perhaps waiting to see where the IASB lands on rate regulated accounting), but from the AG's perspective, it seems that IFRS14 is accepted as appropriate since the AG did not qualify the Province"s consolidated f/s for the basis of consolidating BC Hydro (where the books continued to reflect rate regulated accounting).
Nadine
Original Message
From: Lee Anne Probert
Sent: Sunday, February 12, 2017 12:04 AM
To: Petsche, Nadine (TBS); Suzie Gignac
Subject: RE: IESO related analysis

Hi Nadine,

It would be great if we could find a precedent to help us with the application of IFRS 14. Perhaps I'm not looking at the correct entity, but the BC Hydro statements that I found on-line don't seem to indicate that they are using IFRS 14 (see attached).

On p.40 in the Basis of Accounting note, it states "These policies have been established based on the financial reporting provisions prescribed by the Province pursuant to Section 23.1 of the Budget Transparency and Accountability Act and Section 9.1 of the Financial Administration Act. In accordance with the directive issued by the Province's Treasury Board, BC Hydro is to prepare these consolidated financial statements in accordance with the accounting principles of IFRS, combined with regulatory accounting in accordance with ASC 980."

On p.43 in the Significant Accounting Policies note, it states "BC Hydro applies the principles of ASC 980, which differs from IFRS, to reflect the impacts of the rate-regulated environment in which BC Hydro operates. Generally, this results in the deferral and amortization of costs and recoveries to allow for adjustment of future customer rates. In the absence of rate-regulation, these amounts would otherwise be included in comprehensive income unless recovered in rates in the year the amounts are incurred."

Please let me know if I am looking at the wrong example.

Regards,
Lee Anne

-----Original Message-----
From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Saturday, February 11, 2017 3:50 PM
To: Lee Anne Probert; Suzie Gignac
Subject: Re: IESO related analysis

Hi Lee Anne. Thanks for your comments. I think that the change to a GBE might be considered in conjunction with the recent merger of the OPA and the IESO, or perhaps it was erroneously classified previously.

With regards to IFRS 14, I think we'd have to give that some additional thought. I know the BC Hydro was able to adopt IFRS 14, even though it wasn't following pure US GAAP previously. Perhaps there is room for flexibility and judgment.

Thanks.
Nadine

From: Lee Anne Probert
Sent: Saturday, February 11, 2017 10:21 AM
To: Petsche, Nadine (TBS); Suzie Gignac
Subject: RE: IESO related analysis

Hi Nadine,

We have started to look at them and I'll coordinate with Suzie to get comments to you.

One comment we can provide now is that we're concerned that even if you take the position that the IESO is a GBE and have it prepare financial statements in accordance with IFRS, the guidance in the Basis for Conclusion of IFRS 14 would prevent the IESO from applying IFRS 14 and recognizing regulatory amounts because it has not recognized regulatory amounts under its previous GAAP (PSAB). If you agree, does this cause you to reconsider whether this is a path you want to go down?

We also thought it would be helpful to understand whether you think (a) there has been a distinct event that would cause the IESO to change from a GNPO to a GBE (amalgamation with the PSA?), (b) the change from a GNPO to GBE is the result of changes in circumstances that have happened over a period of time, or (c) the IESO always should have been a GBE.

Regards,
Lee Anne

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LeeAnne Probert | Senior Manager | Assurance Services

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From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, February 10, 2017 10:30 PM
To: Lee Anne Probert; Suzie Gignac
Subject: IESO related analysis

Lee Anne/Suzie,
Looking forward to hearing your feedback on the IESO-related docs provided earlier (GBE and control related analysis). We'd still like to hear back by then, if possible.
Thanks.
Nadine

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