Update

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Cc:	"Picard, Michel (mpicard@kpmg.ca)" <mpicard@kpmg.ca>
Date:	Sun, 12 Feb 2017 18:39:15 -0500
Attachments:	Rates Options Feb 10 np feb12.docx (54.42 kB)

Hi Cindy.
Michel and I spoke earlier. We considered all of the alternatives identified to date, and feel that the most attractive from a fiscal and audit risk perspective is that which involves reclassifying the IESO as a GBE effective January 1, 2015.
Under this option, the IESO would:

- Reflect the market books on its f/s (enhanced transparency and accountability in reporting)
- Adopt rate regulated accounting under IFRS14 effective Jan 1/14 (on the basis that the market books reflected RRA previously)
- Reflect appropriate adjustments on its f/s for $100M losses previously reported by the IESO which are rate regulated assets, and reclassify $235M of rate regulated liabilities.
- The deferred GAM amounts would be reported as intangible assets on the IESO's books, similar to the accounting treatment of the LYPA. This accounting treatment is similar to what has recently been discussed in relation to the OPG alternative(s).

I have also attached an updated options overview summary which clearly identifies the above option as the 'preferred' option.

Please note that while Michel's input in reflected in the above message, he has not had a chance to review it, or the attached summary. He will likely have additional comments, but is currently busy on other calls.

Nadine

p.s. Please advise on what messaging we might provide to OPG to update them on status. Should they also plan to participate in tomorrow's call? Alternatively, shall they be on call?