

AG audit.rtf

**From:** Kim Marshall [Kim.Marshall@ieso.ca]  
**To:** Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]  
**Subject:** AG audit  
**Date:** Tuesday, December 19, 2017 16:05:04

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Nothing to discuss now but just a heads up that we should talk in the second week in January. Have a great holiday.

Sent from my iPad

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AG past report.rtf

**From:** Petsche, Nadine (TBS) []  
**To:** LeeAnne.Probert@ca.ey.com [LeeAnne.Probert@ca.ey.com]  
**Subject:** AG past report  
**Date:** Thursday, June 15, 2017 10:00:34

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See pages 35 – 38 for details on position of OAG w.r.t. rate regulated accounts on the Province's f/s, and our response. n

<http://www.auditor.on.ca/en/content/annualreports/arreports/en08/200en08.pdf>

Accepted\_ AG Chapter 2 Response.rtf

**From:** Kim Marshall [Kim.Marshall@ieso.ca]  
**To:** Jack, Shannon (TBS) [Shannon.Jack@ontario.ca]; Hosick, Sarah (TBS) [Sarah.Hosick@ontario.ca];  
Bernard, Dena (TBS) [Dena.Bernard@ontario.ca]  
**Subject:** Accepted: AG Chapter 2 Response  
**Date:** Friday, November 10, 2017 12:53:14

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FW\_ AG at Audit Committee.rtf

**From:** Kim Marshall [Kim.Marshall@ieso.ca]  
**To:** Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]  
**Subject:** FW: AG at Audit Committee  
**Date:** Wednesday, March 21, 2018 12:56:43  
**Attachment 1:** Mar 21. - Auditor General - Standing Committee on Public Accounts (Excer....doc

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**From:** Jordan Penic  
**Sent:** March 21, 2018 12:55 PM  
**To:** Terry Young; Anthy Lovachis; John Rattray; Kim Marshall  
**Cc:** Jessica Savage; David Barrett; John Cannella; Mary Bernard  
**Subject:** RE: AG at Audit Committee

Transcript is attached.

**From:** Jordan Penic  
**Sent:** March 21, 2018 9:39 AM  
**To:** Terry Young; Anthy Lovachis; John Rattray; Kim Marshall

**Cc:** Jessica Savage; David Barrett  
**Subject:** AG at Audit Committee

Hi,

Ministry just gave me a call to note that the AG is in committee and starting talking about the IESO and the current audit. They're not sure how this happened, but somehow the committee got off topic.

She has noted that working with the IESO on the existing audit has been the most challenging audit that her team has ever had to perform. That we are not cooperative, are not providing full information, some of which is critical to her work. She was also critical of KPMG, but I wasn't able to catch what exactly she said.

It was only for about ten minutes, and I will try and get the transcript, but that was what I could catch at the tail end.

-Jordan

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Mar 21. - Auditor General - Standing Committee on Public Accounts (Excer....pdf

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## AUDITOR GENERAL – STANDING COMMITTEE ON PUBLIC ACCOUNTS (EXCERPT)

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*Date:* March 21, 2018  
*Length:* 14 minutes  
*Speaker(s):* Bonnie Lysyk, Auditor General

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BONNIE LYSYK, AUDITOR GENERAL: And the other one...and the other document that I wanted to be aware of, it's a...we had, within our Chapter 2, so it was the report that you had people hearing...held the hearing on at the end of February. In that chapter, recommendation five dealt with IESO and IESO modifying their accounting to remove market accounts and rate-regulated accounting from their statements. And as a result of lack of communication by their external auditors with us last year, and other concerns we had, we initiated a special financial statement audited IESO. So we actually went into IESO. David is...was the manager on that file. And we did our own review of the finances at IESO. And this, this document is for your consideration in your deliberations around your report on the public accounts, chapter two.

I think a key thing that I wanted to highlight is there's a few key things. The reason why we do this is because under our legislation the what we call component auditors, which in this case is KPMG, are accountable to us in terms of ensuring that we have no surprises. They are accountable to us in the terms in the sense that we review their working papers and we can ask questions. Because they are a component auditor to the consolidation in the public accounts, we need good, clean, open communication and the ability to work with them. Well, unfortunately, there's a different dynamic happening here, in the sense that KPMG provided advisory services on the Fair Hydro Plan, but they also are the external auditors for IESO. And that caused us some concerns because of the last minute changes to IESO statements last year. So when we finished our work, we have confirmed that the changes that were made to the IESO statements were directly related to the Fair Hydro Plan, so we comment on that and here. We also comment that during our work, management, IESO, and the board would not cooperate with us during this work, in the sense that they continually say they're cooperating, but they stalled on giving us information. They wouldn't sign the management representation confirming that they gave us all the information. They wouldn't also agree that that what their roles and responsibilities are with respect to this audit. And they basically treated I think my audit team like we were subservient to KPMG, which, in terms of the law in Ontario, that would be the reverse. Having said all that, we managed through it. Because we couldn't get the documentation we needed under Canadian auditing standards for us to sign...for me to sign an opinion, we have an independent auditor's report, but we have to do what we call a disclaimer of opinion, meaning because management didn't sign this material, I can't opine. But what I can tell you in this, in this document, and it's in attachment one, is that what the impact of the errors in the IESO statements will be on the public accounts of Ontario. And so on page...attachment 1, page 3, we indicate that up until December 31st, the annual deficit would be understated by \$1.3 billion. And there's other information here. We also note that on their pension unfunded retirement benefit plans, for the last number of years they've understated their pension liability on their financial...their benefit liability on their financial statements. So we well...we are awaiting a number from the actuary on that. To their statements, it will be material. To the provinces

statements, it will be a reportable item over what we call a material amount. It won't impact the bottom line, but it is significant.

And the third thing that we came across, which we found interesting, which was given to us in a box of papers after we were basically finished the audit and not given to us online, like most of the other documents, is documentation around the fact that the assets of IESO have been pledged as collateral and security against the Fair Hydro Trust, for the Fair Hydro Trust. So in order to borrow money at the Fair Hydro Trust, the assets of IESO were pledged. And what that means is that...and it was with respect to the carrying costs. So what it means though is that the generators fall behind the creditors for the IESO trust, the Fair Hydro Plan Trust. So we asked management and the board to disclose this in their financial statements and they have not. And I think we're still wondering why they won't, other than the fact we know that they thought it was a risk that the generators would not like this. So Bruce Power would be concerned that IESO pledged as collateral the incoming revenues they would receive from the LDCs. So the generators fall behind the creditors at the bank now, basically, in receiving their money. So that is an item that we have brought up with them and we're concerned that it's not (inaudible) disclosed. KPMG, at this point, we, we understand they've issued a clean opinion, contrary to ours. They've issued a clean opinion and the statements that don't disclose what we think is the correct Retirement Benefit Plan amount, that don't disclose the collateral security agreement pledging, and that use market accounts and rate regulated asset treatment on their statements. So they have...we don't have for you the IESO statements because the opinion of KPMG and the statements haven't been made public yet. When we get the statements we will give you the statements because in our independent auditor's report, we refer to certain notes that talk about the accounting and you'll see that when you read this document. I think the other thing I just wanted to mention too, in terms of an update, that IESO normally has an audit fee of \$86,500 a year on their audit. For the year January to December 2017, KPMG is billed nearly \$600,000 to the organization. Part of that money is for advisory services on writing papers for IESO to defend their position on this accounting. And part of it is, they say, for communication with us. So they say that we cost \$230,000 to answer our questions. So it's ridiculous. We think it's ridiculous. But anyway just on this aspect of the Fair Hydro Plan, KPMG has generated about half a million dollars. And we think this accounting is bogus. And we think we're trying to argue a position because of the way that they've embedded themselves in the whole transaction.

So we will pursue this further we're still working, I mean, we're open to IESO coming and saying they're going to correct their statements. When it comes to the provincial statements we're going to be requesting again the province Controller's office to reverse the impact of IESO on the government statements. The reason why this entity is so important to the government's statements is from an accounting perspective we take all the information IESO. And every number is supposed to be reflected in the government's statements but because it's wrong in IESO then that's why we have to say to the province we need you to correct this. And what we're telling in this report is that at this point we know it's at least over a billion dollar adjustment from this accounting.

I'm just wondering if there's anything else that I haven't mentioned Susan. Anything else?

UNIDENTIFIED: I think you've covered it.

LYSYK: Covered it? So this information then is for you to cogitate in drafting your report. If there's anything you think you want to comment on with respect to this. If you have any questions on this feel free to ask. We're more than prepared to address all of these points. I just want to say that it is in my career. It's very unusual to have experienced management team and a board basically treating our office like they did. But we got through it and we'll work through

them and we'll continue to work through them. But I think it, I think David would say it was probably one of the hardest audits in his career. So yeah, yeah. So we also have attached here a management letter. So what that is, is it says when you have an external audit done by your organisation and the external auditors look at your organisation and they see that there's areas for improvement, you give you give a management letter. Now we give this to all our clients if we have issues. In terms of this management letter I want to highlight a couple of things. I want to highlight that one item attachment to is bank reconciliations. Pretty much when you're auditing the bank for an entity you make sure that an organisation is doing bank reconciliations and that they're done. I can tell you that my team was the team that said can I see your bank reconciliations and they couldn't provide any to us. So then they had to reconstruct the bank reconciliations for us. But this doesn't indicate...

RANDY HILLIER, MPP: That's real basic...

LYSYK: You got it.

MPP HILLIER: Like that is at the essence here.

LYSYK: You got it. So then my team had to reconstruct it okay. It was never pointed out by their previous auditors and you'll see that in their response here they say that they are preparing them on a regular basis. Well they never did. So this is what we've been dealing with. A situation where there's a lot of non-truths that are being provided to us during the course of the audit. So that is a simple example of something. The other one is the pensions. In every entity within Ontario's public sector that we were able to find statements on that consolidate into the government that have benefit liabilities, those benefit liabilities use a certain discount rate. So if there are planned assets they use that. If they don't have any assets they use a borrowing rate. My audit team found out that they were using a plan asset rate for their liabilities that don't have any plan assets against those liabilities. So we pointed that out. Unfortunately IESO has not adjusted their statements for it yet. We pointed out to their auditors and said we think this is going to be material and they basically signed off without responding to us other than saying we think it can be done both ways. The only problem is we can't find a set of statements in the public sector in Ontario that's done both ways and we polled KPMG's other clients and they're doing it exactly the same way we've pointed out to them. So this is the kind of thing that we've been dealing with.

LIZ SANDALS, MPP: On the pension this is a different issue than on TPP. It isn't about the joint management of the plan. This is just strictly about the discount rate.

LYSYK: That's correct. That's correct. So this doc and the other one is, we found security deposits you know. Normally you reconcile security deposits so that you know how much money to give back. These are these are security deposits on, I forgot what these are on David.

(inaudible)

Right. Right. Right. So if you don't need the money any more you pay back the security deposit. So we found, and for their statements it's material. For the province it's not. We found one point, over a million dollars that they couldn't figure out who they owed the money to. And they were never doing these reconciliations. So these are some basic things that just going in one year we found. We asked at the beginning of this exercise to either have us do your audit without KPMG, have us do a joint audit with KPMG so it forces the two audit firms us and them to sit at the table and go through all these issues. But they chose the board management chose no. You know

we'll keep KPMG, you come and do whatever you want. So that does put us in a more difficult position. They have said to us that they'll consider appointing us their auditor next year. I would recommend they do that. Because I think they've got some issues that we need to still work with them on. But, but having said that, I think the objective of us doing it this year was to ensure we meet our mandate under our legislation to make sure that the component auditor was basically disclosing everything and handling the audit as we would think would be appropriate.

FW\_ Rate Regulated Accounting.rtf

**From:** Petsche, Nadine (TBS) []  
**To:** LeeAnne.Probert@ca.ey.com [LeeAnne.Probert@ca.ey.com]; Suzie Gignac (suzie.r.gignac@ca.ey.com) [suzie.r.gignac@ca.ey.com]; Blake Langill (blake.w.langill@ca.ey.com) [blake.w.langill@ca.ey.com]  
**CC:** Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]  
**Subject:** FW: Rate Regulated Accounting  
**Date:** Friday, May 26, 2017 08:40:25

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Below is the summary of the AG's comments earlier this week. We are still awaiting for the official transcripts. N

### **TRANSCRIPT – Auditor General Lysyk in Justice Policy – May 24, 2017**

Lysyk:

- Good morning
- I'm Bonnie Lysyk, and I'm the auditor general of Ontario
- Thank you for letting me comment on bill 132
- It is not the job of the auditor general to comment on government policy
- The government's decision to borrow money to lower hydro bills by 25% is a policy decision and so I have no comment on it
- However, when it comes to the accounting for such a decision, it is my responsibility to make sure that it is properly recorded in a consolidated financial statements of the province
- And is transparently reported to the people of Ontario
- And this is why I am here today
- The accounting transaction is structured in a complex manner
- In simple terms, the government plans to record as an asset, the expected recovery of the 25% electricity costs from future ratepayers that it will borrow for and pay to power producers today
- In essence, it is setting up, as an asset, an accounts receivable that it expects to collect from future taxpayers between 202- ratepayers- between 2022 and 2047

- That is not yet an accounts receivable because the cust- consumer has not yet used the electricity
- A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s
- At that time, the government did not want the net impact of the stranded debt which had already been incurred to be reflected in the province's financial statements
- Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity rate payers
- This approach would have fully offset the total stranded debt
- Such that there would have been no net debt impact reflected on the province's consolidated financial statements
- The Auditor General's opinion as stated in our office's 2000 annual report was that – I quote- would have set an unacceptable precedent for government accounting
- It would also have represented a departure from one of the central tenants of generally accepted accounting principles that revenue not be recognized until it is earned – end quote
- Government heard these concerns and was prudent in making the decision to not create an asset for future anticipated rate payer payments
- I believe those concerns are equally applicable today
- The government of today plans to borrow about \$26B to cover the 25% shortfall from rate payers
- But it does not want to reflect the overall impact of these borrowings on the consolidated statements of the province which include the electricity sector
- It plans to record the anticipated revenue as an asset to offset borrowings in its consolidated statements
- As a result, there will be no impact on the net debt on the province's balance sheet
- As well, this legislation is designed so that there will be no impact on the province's calculation on the annual surplus or deficit
- Today, like in 2000, we believe this sets a dangerous precedent

- Let me give you an example
- Snow plowing in Ontario is performed by private sector contractors who own equipment
- The contractors' bills are properly included as a government expense each year
- Now say the government decides that tax payers are paying too much for snowplowing and points out that there is value in the snowplowing equipment beyond the terms of the contract
- It could argue that it expects to negotiate significantly lower rates in future contracts and wants to defer some current snowplowing costs into the future to smooth these costs over time
- For obvious reasons, this is not allowed under Canadian Public Sector Accounting Standards
- As we know, accounting deals with past transactions, not future ones
- So to anticipate that private sector electricity generators will reduce their costs in the future, and to use legislation to make this potential future benefitting asset is also not allowed under Canadian Public Sector Accounting Standards
- So what's the bottom line?
- I would not be doing my job as auditor general if I said that creating assets through the legislation is acceptable
- Under this bill, the government's policy decision to borrow money to subsidize electricity bills will not affect the province's net debt or annual deficit
- This legislated accounting is not in accordance with Canadian Public Sector Accounting Standards
- These standards are there to ensure that the Financial Reporting of government policy decisions reflects common sense
- Borrowings or debt, unearned revenue is not an asset today
- And when your expenses exceed your revenues, you incur deficit
- Such common sense in the principle of substance over form should prevail in the financial reporting of government policy decisions

- I now welcome any questions you may have
- And –

*Delaney: Good Morning Auditor, nice to see you again, the Ontario Energy Board and the independent electricity system operator practiced the policy of deferral accounts fairly frequently, could you comment on that?*

Lysyk:

- With respect to this legislation, the government is legislating the behaviour and activities of the Ontario Energy Board with respect to this transaction
- We do not view them independent
- The power contracts that were negotiated
- That were government policy decision are not regulatory assets
- Because they were never fielded before regulator in Canada

*Delaney: Okay, in your opinion, would you give me a comment on the practice of spreading the costs of necessary infrastructure investments in general electricity, infrastructure in particular, in a way that more accurately represents the useful lifespan of those assets, given that the lifetime of those assets over the decades has expanded?*

Lysyk

- So in the case of the contracts that we're talking about
- The government does not own the assets
- They are owned by third parties
- And therefore the spreading of third party costs is a very unusual treatment
- And wouldn't have benefit to electricity ratepayers
- Because they have no assets to generate the power they need to pay for in the future
- Because the government does not own those assets

*Delaney: Okay, did your remarks in your presentation this morning accurately describe, in your opinion, what a regulatory asset is?*

Lysyk:

- Under PSA, Public Sector Accounting Standards, regulatory assets are considered intangibles
- And cannot be booked on financial statements in Canada
- US GAAP might allow it
- But US GAAP is not acceptable presentation standards for the government's financial statement

*Delaney: Okay, Thank you very much*

*Chair Vernile: Our next questions for you are from MPP Walker*

*Walker: Good Morning, how are you?*

Lysyk

- Good Morning

*Walker: This morning in the Fiscal Accountability Officer's document that he shared with us, he has a number 4 – it's actually titled accounting treatment uncertainty. It says, due to the nature of the proposed financing transaction, the FAO recommends that members of provincial parliament obtain assurance from the office of the Auditor General of Ontario, that the province has proposed accounting treatment for the electricity cost refinancing meets public sector accounting standards, and will not impact the province's annual surplus deficit – the net debt, Can you just make a quick comment on that, because I have a number of other questions*

Lysyk

- Yeah
- I would say at this point in time that based on the information that has been

presented in the bill, and based on some of our own initiative – initiated work

- The transaction as proposed is legislated accounting
- And does not meet public sector accounting standards

*Walker: Agreed. And I think – you know – some of the comments you made, it sets a dangerous precedent, it's already been looked at to do this one other time, the government of the day actually prevailed and said you're right, we accept that, so it's interesting that the shell game is back on the docket, I think what you said at the very end of your document, borrowings are debt, unearned revenue is not an asset today, and when your expenses exceed your revenues, you incur a deficit. At the end of the day, what I can't seem to find \*inaudible\* explain how the government \*inaudible\* they're borrowing money \*inaudible\* pay their, their payment plan. And it's adding money. The figures this morning went as high as 93 billion dollars this could cost the taxpayers of Ontario. So I don't care whether you call me a taxpayer, a ratepayer, you call me whatever you want. But at the end of the day, the people of Ontario are going to have to pay this debt back. Is that true?*

Lysyk:

- That is true
- The financial statements for the government include the electricity sector, similar to the transaction for the Debt Retirement Fund—OEFC tracked the difference between the rate regulator and the government
- And so that worked well
- In that case, the debt was recorded on the province's statement
- At the end of the day what this is is a financing transaction
- It is the government borrowing—needing to borrow money—to cover the difference between what they're collecting from ratepayers and what they're paying to the power producers
- That's pretty much the simplicity of it

*Walker: and, and they're putting it on OPG's books, so it won't show as a net deficit or*

*impact them in a negative consequence on their actual books.*

Lysyk:

- That's correct
- All the transactions are designed not to affect net debt on the province's books and not to affect the bottom line annual deficit or surplus of the government

*Walker: and if these unearned revenues that they're assuming don't come through, who's on the hook to pay those. Regardless of whether they're on OPG's books or they're on the government books?*

Lysyk:

- It would still be the province

*Walker: the province—the people of the Province of Ontario, is that correct?*

Lysyk:

- Correct

*Walker: because that's where the money comes—the province has no money, it comes from the people.*

Lysyk:

- Correct, I think—

Walker: yes.

Lysyk:

· --there are a lot of people investing a lot of time and money to set this up, structure it in such a way that it doesn't affect the bottom line

*Walker: is it a fair statement—even if they were to borrow this 26 billion dollars—if they borrow it as the Province of Ontario, the rate to actually borrow would be much less than it will be by putting, say, 55 percent on OPG's books. OPG cannot borrow at the same rate as the Province of Ontario?*

Lysyk:

· I believe so but I, I'm not the authority on the—

*Chair Vernile: thank you very much, Mr. Walker.*

*Walker: we were told that it was about a 4-billion dollar—*

*Chair Vernile: and our final questions for you today are from Mr. Tabuns.*

*Tabuns: thank you, Chair. Ms. Lysyk, thank you very much for appearing today. You've said to us then that what's proposed by the government does not accept public sector accounting standards. If a statement was brought to you that did not include these funds—say a statement of income and expense for the province as a whole. If a balance sheet came forward and didn't include this, would you be able to rule that that was an acceptable presentation of the province's liabilities and assets?*

Lysyk:

- If the transaction was put through the government's statements like the legislation is proposing, that would put me in a position where I would need to qualify on the government's financial statements

*Tabuns: well, that's a pretty straightforward response. If this was put on the government's books and we didn't have this shell entity set up under OPG, this, this borrowing—these expenditures—would they be affecting the annually-stated surplus and deficit of the province?*

Lysyk:

- That's correct
- Every year the difference between what's paid to the power generators and what's collected from consumers would hit the bottom line of the government as a [sic] impact on the accumulated—on the deficit or surplus
- And as well as, there would be the debt on the province's books and the interest from that debt

*Tabuns: and so—*

Lysyk:

- This—

*Tabuns: --it would increase the province's total debt. It wouldn't be set aside. The, the legislation, as written, seems to be an attempt to move all of this off the books. But that is not something that you would accept as an auditor?*

Lysyk:

- The net debt number is an important number that we think needs to be fairly

presented

- As well—legislative accounting is a risky thing
- Legislative accounting sets the tone for any government to decide what the accounting for a transaction should be, even if it's contrary to public sector accounting standards
- And so this is a sensitive issue, not just for my office, but for Auditor Generals' offices across Canada

*Tabuns: and how would—*

Lysyk:

- This is precedent-setting

*Tabuns: --I have no doubt that this is precedent-setting. It's—I, I, I've found from the beginning this idea of setting up a, a shell company under OPG was an extraordinary measure. How would bond-rating agencies respond to this misstatement of the province's actual revenue and expenses?*

Lysyk:

- I, you know, I think at the end of the day, people—if they look at the consolidated financial statements—recognize that the source of money is one person, a person in Ontario
- And so whether it's the ratepayer or a taxpayer, it's captured in the statements
- You can still keep track of the difference between ratepayers and, and taxpayers
- So I think, you know, the—I would assume the bond-rating agencies are smart enough to understand that at the end of the day, if there was risk, it would be picked up by the province

*Tabuns: so would you urge the government to actually follow standard public-sector accounting principles?*

Lysyk:

· We would recommend that the government reconsider this bill—

*Chair Vernile: thank you very much, Ms. Lysyk. We appreciate your appearing before this committee this, this morning.*

[END TRANSCRIPT]

**Sebastian Prins**

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FW\_ AG at Audit Committee.pdf

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**To:** [Veinot, Cindy \(TBS\)](#)  
**Subject:** FW: AG at Audit Committee  
**Date:** March 21, 2018 12:56:49 PM  
**Attachments:** [Mar 21. - Auditor General - Standing Committee on Public Accounts \(Excer....doc](#)

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Subject: AG at Audit Committee

Hi,

Ministry just gave me a call to note that the AG is in committee and starting talking about the IESO and the current audit. They're not sure how this happened, but somehow the committee got off topic.

She has noted that working with the IESO on the existing audit has been the most challenging audit that her team has ever had to perform. That we are not cooperative, are not providing full information, some of which is critical to her work. She was also critical of KPMG, but I wasn't able to catch what exactly she said.

It was only for about ten minutes, and I will try and get the transcript, but that was what I could catch at the tail end.

-Jordan

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Mar 21. - Auditor General - Standing Committee.pdf

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## AUDITOR GENERAL – STANDING COMMITTEE ON PUBLIC ACCOUNTS (EXCERPT)

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*Date:* March 21, 2018  
*Length:* 14 minutes  
*Speaker(s):* Bonnie Lysyk, Auditor General

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BONNIE LYSYK, AUDITOR GENERAL: And the other one...and the other document that I wanted to be aware of, it's a...we had, within our Chapter 2, so it was the report that you had people hearing...held the hearing on at the end of February. In that chapter, recommendation five dealt with IESO and IESO modifying their accounting to remove market accounts and rate-regulated accounting from their statements. And as a result of lack of communication by their external auditors with us last year, and other concerns we had, we initiated a special financial statement audited IESO. So we actually went into IESO. David is...was the manager on that file. And we did our own review of the finances at IESO. And this, this document is for your consideration in your deliberations around your report on the public accounts, chapter two.

I think a key thing that I wanted to highlight is there's a few key things. The reason why we do this is because under our legislation the what we call component auditors, which in this case is KPMG, are accountable to us in terms of ensuring that we have no surprises. They are accountable to us in the terms in the sense that we review their working papers and we can ask questions. Because they are a component auditor to the consolidation in the public accounts, we need good, clean, open communication and the ability to work with them. Well, unfortunately, there's a different dynamic happening here, in the sense that KPMG provided advisory services on the Fair Hydro Plan, but they also are the external auditors for IESO. And that caused us some concerns because of the last minute changes to IESO statements last year. So when we finished our work, we have confirmed that the changes that were made to the IESO statements were directly related to the Fair Hydro Plan, so we comment on that and here. We also comment that during our work, management, IESO, and the board would not cooperate with us during this work, in the sense that they continually say they're cooperating, but they stalled on giving us information. They wouldn't sign the management representation confirming that they gave us all the information. They wouldn't also agree that that what their roles and responsibilities are with respect to this audit. And they basically treated I think my audit team like we were subservient to KPMG, which, in terms of the law in Ontario, that would be the reverse. Having said all that, we managed through it. Because we couldn't get the documentation we needed under Canadian auditing standards for us to sign...for me to sign an opinion, we have an independent auditor's report, but we have to do what we call a disclaimer of opinion, meaning because management didn't sign this material, I can't opine. But what I can tell you in this, in this document, and it's in attachment one, is that what the impact of the errors in the IESO statements will be on the public accounts of Ontario. And so on page...attachment 1, page 3, we indicate that up until December 31st, the annual deficit would be understated by \$1.3 billion. And there's other information here. We also note that on their pension unfunded retirement benefit plans, for the last number of years they've understated their pension liability on their financial...their benefit liability on their financial statements. So we well...we are awaiting a number from the actuary on that. To their statements, it will be material. To the provinces

statements, it will be a reportable item over what we call a material amount. It won't impact the bottom line, but it is significant.

And the third thing that we came across, which we found interesting, which was given to us in a box of papers after we were basically finished the audit and not given to us online, like most of the other documents, is documentation around the fact that the assets of IESO have been pledged as collateral and security against the Fair Hydro Trust, for the Fair Hydro Trust. So in order to borrow money at the Fair Hydro Trust, the assets of IESO were pledged. And what that means is that...and it was with respect to the carrying costs. So what it means though is that the generators fall behind the creditors for the IESO trust, the Fair Hydro Plan Trust. So we asked management and the board to disclose this in their financial statements and they have not. And I think we're still wondering why they won't, other than the fact we know that they thought it was a risk that the generators would not like this. So Bruce Power would be concerned that IESO pledged as collateral the incoming revenues they would receive from the LDCs. So the generators fall behind the creditors at the bank now, basically, in receiving their money. So that is an item that we have brought up with them and we're concerned that it's not (inaudible) disclosed. KPMG, at this point, we, we understand they've issued a clean opinion, contrary to ours. They've issued a clean opinion and the statements that don't disclose what we think is the correct Retirement Benefit Plan amount, that don't disclose the collateral security agreement pledging, and that use market accounts and rate regulated asset treatment on their statements. So they have...we don't have for you the IESO statements because the opinion of KPMG and the statements haven't been made public yet. When we get the statements we will give you the statements because in our independent auditor's report, we refer to certain notes that talk about the accounting and you'll see that when you read this document. I think the other thing I just wanted to mention too, in terms of an update, that IESO normally has an audit fee of \$86,500 a year on their audit. For the year January to December 2017, KPMG is billed nearly \$600,000 to the organization. Part of that money is for advisory services on writing papers for IESO to defend their position on this accounting. And part of it is, they say, for communication with us. So they say that we cost \$230,000 to answer our questions. So it's ridiculous. We think it's ridiculous. But anyway just on this aspect of the Fair Hydro Plan, KPMG has generated about half a million dollars. And we think this accounting is bogus. And we think we're trying to argue a position because of the way that they've embedded themselves in the whole transaction.

So we will pursue this further we're still working, I mean, we're open to IESO coming and saying they're going to correct their statements. When it comes to the provincial statements we're going to be requesting again the province Controller's office to reverse the impact of IESO on the government statements. The reason why this entity is so important to the government's statements is from an accounting perspective we take all the information IESO. And every number is supposed to be reflected in the government's statements but because it's wrong in IESO then that's why we have to say to the province we need you to correct this. And what we're telling in this report is that at this point we know it's at least over a billion dollar adjustment from this accounting.

I'm just wondering if there's anything else that I haven't mentioned Susan. Anything else?

UNIDENTIFIED: I think you've covered it.

LYSYK: Covered it? So this information then is for you to cogitate in drafting your report. If there's anything you think you want to comment on with respect to this. If you have any questions on this feel free to ask. We're more than prepared to address all of these points. I just want to say that it is in my career. It's very unusual to have experienced management team and a board basically treating our office like they did. But we got through it and we'll work through

them and we'll continue to work through them. But I think it, I think David would say it was probably one of the hardest audits in his career. So yeah, yeah. So we also have attached here a management letter. So what that is, is it says when you have an external audit done by your organisation and the external auditors look at your organisation and they see that there's areas for improvement, you give you give a management letter. Now we give this to all our clients if we have issues. In terms of this management letter I want to highlight a couple of things. I want to highlight that one item attachment to is bank reconciliations. Pretty much when you're auditing the bank for an entity you make sure that an organisation is doing bank reconciliations and that they're done. I can tell you that my team was the team that said can I see your bank reconciliations and they couldn't provide any to us. So then they had to reconstruct the bank reconciliations for us. But this doesn't indicate...

RANDY HILLIER, MPP: That's real basic...

LYSYK: You got it.

MPP HILLIER: Like that is at the essence here.

LYSYK: You got it. So then my team had to reconstruct it okay. It was never pointed out by their previous auditors and you'll see that in their response here they say that they are preparing them on a regular basis. Well they never did. So this is what we've been dealing with. A situation where there's a lot of non-truths that are being provided to us during the course of the audit. So that is a simple example of something. The other one is the pensions. In every entity within Ontario's public sector that we were able to find statements on that consolidate into the government that have benefit liabilities, those benefit liabilities use a certain discount rate. So if there are planned assets they use that. If they don't have any assets they use a borrowing rate. My audit team found out that they were using a plan asset rate for their liabilities that don't have any plan assets against those liabilities. So we pointed that out. Unfortunately IESO has not adjusted their statements for it yet. We pointed out to their auditors and said we think this is going to be material and they basically signed off without responding to us other than saying we think it can be done both ways. The only problem is we can't find a set of statements in the public sector in Ontario that's done both ways and we polled KPMG's other clients and they're doing it exactly the same way we've pointed out to them. So this is the kind of thing that we've been dealing with.

LIZ SANDALS, MPP: On the pension this is a different issue than on TPP. It isn't about the joint management of the plan. This is just strictly about the discount rate.

LYSYK: That's correct. That's correct. So this doc and the other one is, we found security deposits you know. Normally you reconcile security deposits so that you know how much money to give back. These are these are security deposits on, I forgot what these are on David.

(inaudible)

Right. Right. Right. So if you don't need the money any more you pay back the security deposit. So we found, and for their statements it's material. For the province it's not. We found one point, over a million dollars that they couldn't figure out who they owed the money to. And they were never doing these reconciliations. So these are some basic things that just going in one year we found. We asked at the beginning of this exercise to either have us do your audit without KPMG, have us do a joint audit with KPMG so it forces the two audit firms us and them to sit at the table and go through all these issues. But they chose the board management chose no. You know

we'll keep KPMG, you come and do whatever you want. So that does put us in a more difficult position. They have said to us that they'll consider appointing us their auditor next year. I would recommend they do that. Because I think they've got some issues that we need to still work with them on. But, but having said that, I think the objective of us doing it this year was to ensure we meet our mandate under our legislation to make sure that the component auditor was basically disclosing everything and handling the audit as we would think would be appropriate.

FW\_ Joint Meeting \_ AG Report.pdf

**From:** [Veinot, Cindy \(TBS\)](#)  
**To:** [HARTWICK Ken -FINANCE](#); [Kim Marshall](#)  
**Cc:** [Hosick, Sarah \(TBS\)](#); [Donaldson, Mark \(TBS\)](#)  
**Subject:** FW: Joint Meeting | AG Report  
**Date:** October 12, 2017 4:49:00 PM  
**Attachments:** [OFHP Technical Briefing Deck Outline.docx](#)

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Ken and Kim – regarding the outline of the deck that was discussed at the meeting yesterday that I missed, are you drafting slides for section 5?

Thx

From: Schlaepfer, Martin (ENERGY)  
Sent: October 7, 2017 2:45 PM  
To: Schlaepfer, Martin (ENERGY); Bungaro-Yemec, Francesca (ENERGY); Teliszewsky, Andrew (ENERGY); Baker, Carys (ENERGY); Hume, Steen (ENERGY); Nelms, Scott (MOF); Cox, Hilary (ENERGY); Cengarle, John (MOF); Calwell, Carolyn (ENERGY); Feather, Adam (ENERGY); Murray, Maud (ENERGY); Pau, Joseph (MEDG/MRIS); MacIntyre, Kyle (TBS); McLean, David (MOF); Strathy, Anna (OFA); Angus, Helen (TBS); Thompson, Scott (MOF); Hughes, Karen (TBS); Veinot, Cindy (TBS); Mayman, Gadi (OFA); Foster, Robert (CAB); Davidson, Steven (CAB); Evans, Karen (ENERGY); 'peter.gregg@ieso.ca'; 'Dianne Hayes'; David Barrett; 'Jordan Penic'; 'jeffrey.lyash@opg.com'; catriona.king@opg.com; 'HOILETT Rosemarie -PRESIDENT'; Betzner, Lynn (CAB); Farrow, Alicia (CAB); McMichael, Rhonda (CAB)  
Cc: Whittington, Matt (ENERGY); Ue, Allison (TBS); Nelson, Dane (TBS); Pichelli, Jason (TBS); Poopalapillai, Christine (TBS); Nguyen, Marianne (MOF); Giroux Namian, Orli (MOF); Gallant, Gabrielle (TBS); Jancik, Mike (OPO); Ghiassi, Ali (MOF); Chander, Sunita (ENERGY); Thouin, Alena (ENERGY); Christie, Tim (ENERGY); Bromm, William (CAB); 'HARTWICK Ken -FINANCE'; 'Kim Marshall'; 'Terry Young'; Sullivan, Bryant (TBS); DiMuzio, Sofie (TBS); 'ROWE Jennifer -CORPAFFAIRS'; Cayley, Daniel (ENERGY); Killorn, Bill (OPO); McKinlay, Tom (MAG); Lone, Dianne (MOF); Kandeepan, Ken (OFA)  
Subject: Joint Meeting | AG Report

Hi everyone,

Attached are the materials for Tuesday afternoon's meeting:

1. Agenda
2. Working Draft – Technical Briefing Presentation Outline
3. OFHP Media Briefing Presentation used at the initial launch of OFHP
4. Government Response (password protected)
5. OAG Feedback on Government Comments (password protected)

Password to follow.

Thanks,

Martin

Martin Schlaepfer

Director of Operations

Deputy Minister's Office

Ministry of Energy

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OFHP Technical Briefing Deck Outline.pdf

## Ontario's Fair Hydro Plan – Technical Briefing Presentation Outline (Working Draft)

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### Topic Areas

1. Ontario's Fair Hydro Plan – Overview **[ENERGY]**
  - Lowering electricity bills by 25% / Key components
  - Refinancing the Global Adjustment
  - Tax-base funding of electricity social programs
    - o Helping vulnerable electricity consumers (i.e., Broadening RRRP, Enhancing OESP, FN Delivery Credit and Affordability Fund)
2. Refinancing Global Adjustment (GA) **[ENERGY]**
  - Description
  - Cost Estimates – Interest / Peak Debt
3. Policy Rationale **[ENERGY]**
  - Investments in the electricity system (\$70/\$37 billion)
  - Generator Lifespan
  - Rate-base vs. Tax-base
4. Financing **[ENERGY / OFA / OPG / IESO]**
  - Implementation / Structure
  - Rationale for Funding Entity
    - o Transparency
    - o Keeping Things on the Rate Base
    - o Expertise
5. Accounting **[OPCD / IESO / OPG]**
  - Discussion of Canadian PSAS
  - Rate Regulated Accounting
  - Discussion of re-statement of IESO financial statements

RE\_ Please advise.rtf

**From:** Kim Marshall [Kim.Marshall@ieso.ca]  
**To:** Petsche, Nadine (TBS) [Nadine.Petsche@ontario.ca]; Jack, Shannon (TBS) [Shannon.Jack@ontario.ca]  
**CC:** Hosick, Sarah (TBS) [Sarah.Hosick@ontario.ca]  
**Subject:** RE: Please advise  
**Date:** Monday, June 12, 2017 07:32:15

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Good for me

**Kimberly Marshall** | VP, Corporate Services & CFO

Independent Electricity System Operator (IESO) | T: (416) 969-6232 | C: (416) 545-7202

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**From:** Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]  
**Sent:** June 12, 2017 6:55 AM  
**To:** Jack, Shannon (TBS)  
**Cc:** Kim Marshall; Hosick, Sarah (TBS)  
**Subject:** Please advise  
**Importance:** High

Shannon,

Please advise as to Cindy's availability to meet on June 15<sup>th</sup> from 10-11 (we're contemplating changing the meeting below to the am between 9-11).

Thanks.

Nadine

-----Original Appointment-----

**From:** Petsche, Nadine (TBS)

**Sent:** June-08-17 12:27 PM

**To:** Petsche, Nadine (TBS); Veinot, Cindy (TBS); [LeeAnne.Probert@ca.ey.com](mailto:LeeAnne.Probert@ca.ey.com); Suzie Gignac ([suzie.r.gignac@ca.ey.com](mailto:suzie.r.gignac@ca.ey.com)); Blake Langill ([blake.w.langill@ca.ey.com](mailto:blake.w.langill@ca.ey.com)); Picard, Michel ([mpicard@kpmg.ca](mailto:mpicard@kpmg.ca)); Kim Marshall ([Kim.Marshall@ieso.ca](mailto:Kim.Marshall@ieso.ca))

**Cc:** 'Dowad, Phil J'; 'Betik, Matthew'

**Subject:** Rate Regulated Accounting (time change)

**When:** June-15-17 3:00 PM 4:00 PM (UTC-05:00) Eastern Time (US & Canada).  
~~When: June-15-17 3:00 PM 4:00 PM (UTC-05:00) Eastern Time (US & Canada).~~

**Where:** Teleconference 416-212-8013/1-866-633-1033, Conference ID 4950903

Cindy to moderate.

June 9<sup>th</sup> updated for time change due to availability conflicts (~~meeting still June 15<sup>th</sup>, but in afternoon~~).

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RE\_ Rate Regulated Accounting.rtf

**From:** Veinot, Cindy (TBS) []  
**To:** Petsche, Nadine (TBS) [Nadine.Petsche@ontario.ca]; LeeAnne.Probert@ca.ey.com [LeeAnne.Probert@ca.ey.com]; Suzie Gignac (suzie.r.gignac@ca.ey.com) [suzie.r.gignac@ca.ey.com]; Blake Langill (blake.w.langill@ca.ey.com) [blake.w.langill@ca.ey.com]  
**Subject:** RE: Rate Regulated Accounting  
**Date:** Friday, May 26, 2017 09:20:15  
**Attachment 1:** Auditor General on Fair Hydro.pdf

---

**From:** Petsche, Nadine (TBS)  
**Sent:** May 26, 2017 8:40 AM  
**To:** LeeAnne.Probert@ca.ey.com; Suzie Gignac (suzie.r.gignac@ca.ey.com); Blake Langill (blake.w.langill@ca.ey.com)  
**Cc:** Veinot, Cindy (TBS)  
**Subject:** FW: Rate Regulated Accounting

Below is the summary of the AG's comments earlier this week. We are still awaiting for the official transcripts. N

### **TRANSCRIPT – Auditor General Lysyk in Justice Policy – May 24, 2017**

Lysyk:

- Good morning
- I'm Bonnie Lysyk, and I'm the auditor general of Ontario
- Thank you for letting me comment on bill 132
- It is not the job of the auditor general to comment on government policy
- The government's decision to borrow money to lower hydro bills by 25% is a policy decision and so I have no comment on it
- However, when it comes to the accounting for such a decision, it is my responsibility to make sure that it is properly recorded in a consolidated financial

statements of the province

- And is transparently reported to the people of Ontario
- And this is why I am here today
- The accounting transaction is structured in a complex manner
- In simple terms, the government plans to record as an asset, the expected recovery of the 25% electricity costs from future ratepayers that it will borrow for and pay to power producers today
- In essence, it is setting up, as an asset, an accounts receivable that it expects to collect from future taxpayers between 202- ratepayers- between 2022 and 2047
- That is not yet an accounts receivable because the cust- consumer has not yet used the electricity
- A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s
- At that time, the government did not want the net impact of the stranded debt which had already been incurred to be reflected in the province's financial statements
- Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity rate payers
- This approach would have fully offset the total stranded debt
- Such that there would have been no net debt impact reflected on the province's consolidated financial statements
- The Auditor General's opinion as stated in our office's 2000 annual report was that – I quote- would have set an unacceptable precedent for government accounting
- It would also have represented a departure from one of the central tenants of generally accepted accounting principles that revenue not be recognized until it is earned – end quote
- Government heard these concerns and was prudent in making the decision to not create an asset for future anticipated rate payer payments
- I believe those concerns are equally applicable today
- The government of today plans to borrow about \$26B to cover the 25% shortfall from rate payers

- But it does not want to reflect the overall impact of these borrowings on the consolidated statements of the province which include the electricity sector
- It plans to record the anticipated revenue as an asset to offset borrowings in its consolidated statements
- As a result, there will be no impact on the net debt on the province's balance sheet
- As well, this legislation is designed so that there will be no impact on the province's calculation on the annual surplus or deficit
- Today, like in 2000, we believe this sets a dangerous precedent
- Let me give you an example
- Snow plowing in Ontario is performed by private sector contractors who own equipment
- The contractors' bills are properly included as a government expense each year
- Now say the government decides that tax payers are paying too much for snowplowing and points out that there is value in the snowplowing equipment beyond the terms of the contract
- It could argue that it expects to negotiate significantly lower rates in future contracts and wants to defer some current snowplowing costs into the future to smooth these costs over time
- For obvious reasons, this is not allowed under Canadian Public Sector Accounting Standards
- As we know, accounting deals with past transactions, not future ones
- So to anticipate that private sector electricity generators will reduce their costs in the future, and to use legislation to make this potential future benefitting asset is also not allowed under Canadian Public Sector Accounting Standards
- So what's the bottom line?
- I would not be doing my job as auditor general if I said that creating assets through the legislation is acceptable
- Under this bill, the government's policy decision to borrow money to subsidize electricity bills will not affect the province's net debt or annual deficit

- This legislated accounting is not in accordance with Canadian Public Sector Accounting Standards
- These standards are there to ensure that the Financial Reporting of government policy decisions reflects common sense
- Borrowings or debt, unearned revenue is not an asset today
- And when your expenses exceed your revenues, you incur deficit
- Such common sense in the principle of substance over form should prevail in the financial reporting of government policy decisions
- I now welcome any questions you may have
- And –

*Delaney: Good Morning Auditor, nice to see you again, the Ontario Energy Board and the independent electricity system operator practiced the policy of deferral accounts fairly frequently, could you comment on that?*

Lysyk:

- With respect to this legislation, the government is legislating the behaviour and activities of the Ontario Energy Board with respect to this transaction
- We do not view them independent
- The power contracts that were negotiated
- That were government policy decision are not regulatory assets
- Because they were never fielded before regulator in Canada

*Delaney: Okay, in your opinion, would you give me a comment on the practice of spreading the costs of necessary infrastructure investments in general electricity, infrastructure in particular, in a way that more accurately represents the useful lifespan of those assets, given that the lifetime of those assets over the decades has expanded?*

Lysyk

- So in the case of the contracts that we're talking about

- The government does not own the assets
- They are owned by third parties
- And therefore the spreading of third party costs is a very unusual treatment
- And wouldn't have benefit to electricity ratepayers
- Because they have no assets to generate the power they need to pay for in the future
- Because the government does not own those assets

*Delaney: Okay, did your remarks in your presentation this morning accurately describe, in your opinion, what a regulatory asset is?*

Lysyk:

- Under PSA, Public Sector Accounting Standards, regulatory assets are considered intangibles
- And cannot be booked on financial statements in Canada
- US GAAP might allow it
- But US GAAP is not acceptable presentation standards for the government's financial statement

*Delaney: Okay, Thank you very much*

*Chair Vernile: Our next questions for you are from MPP Walker*

*Walker: Good Morning, how are you?*

Lysyk

- Good Morning

*Walker: This morning in the Fiscal Accountability Officer's document that he shared with us, he has a number 4 – it's actually titled accounting treatment uncertainty. It says, due to the nature of the proposed financing transaction, the FAO recommends that members of provincial parliament obtain assurance from the office of the Auditor General of Ontario, that the province has proposed accounting treatment for the electricity cost refinancing meets public sector accounting standards, and will not impact the province's annual surplus deficit – the net debt, Can you just make a quick comment on that, because I have a number of other questions*

Lysyk

- Yeah
- I would say at this point in time that based on the information that has been presented in the bill, and based on some of our own initiative – initiated work
- The transaction as proposed is legislated accounting
- And does not meet public sector accounting standards

*Walker: Agreed. And I think – you know – some of the comments you made, it sets a dangerous precedent, it's already been looked at to do this one other time, the government of the day actually prevailed and said you're right, we accept that, so it's interesting that the shell game is back on the docket, I think what you said at the very end of your document, borrowings are debt, unearned revenue is not an asset today, and when your expenses exceed your revenues, you incur a deficit. At the end of the day, what I can't seem to find \*inaudible\* explain how the government \*inaudible\* they're borrowing money \*inaudible\* pay their, their payment plan. And it's adding money. The figures this morning went as high as 93 billion dollars this could cost the taxpayers of Ontario. So I don't care whether you call me a taxpayer, a ratepayer, you call me whatever you want. But at the end of the day, the people of Ontario are going to have to pay this debt back. Is that true?*

Lysyk:

- That is true
- The financial statements for the government include the electricity sector, similar to the transaction for the Debt Retirement Fund—OEFC tracked the difference between the rate regulator and the government
- And so that worked well

- In that case, the debt was recorded on the province's statement
- At the end of the day what this is is a financing transaction
- It is the government borrowing—needing to borrow money—to cover the difference between what they're collecting from ratepayers and what they're paying to the power producers
- That's pretty much the simplicity of it

*Walker: and, and they're putting it on OPG's books, so it won't show as a net deficit or impact them in a negative consequence on their actual books.*

Lysyk:

- That's correct
- All the transactions are designed not to affect net debt on the province's books and not to affect the bottom line annual deficit or surplus of the government

*Walker: and if these unearned revenues that they're assuming don't come through, who's on the hook to pay those. Regardless of whether they're on OPG's books or they're on the government books?*

Lysyk:

- It would still be the province

*Walker: the province—the people of the Province of Ontario, is that correct?*

Lysyk:

- Correct

*Walker: because that's where the money comes—the province has no money, it comes from the people.*

Lysyk:

· Correct, I think—

*Walker: yes.*

Lysyk:

· --there are a lot of people investing a lot of time and money to set this up, structure it in such a way that it doesn't affect the bottom line

*Walker: is it a fair statement—even if they were to borrow this 26 billion dollars—if they borrow it as the Province of Ontario, the rate to actually borrow would be much less than it will be by putting, say, 55 percent on OPG's books. OPG cannot borrow at the same rate as the Province of Ontario?*

Lysyk:

· I believe so but I, I'm not the authority on the—

*Chair Vernile: thank you very much, Mr. Walker.*

*Walker: we were told that it was about a 4-billion dollar—*

*Chair Vernile: and our final questions for you today are from Mr. Tabuns.*

*Tabuns: thank you, Chair. Ms. Lysyk, thank you very much for appearing today. You've said to us then that what's proposed by the government does not accept public sector accounting standards. If a statement was brought to you that did not include these funds—say a statement of income and expense for the province as a whole. If a balance sheet came forward and didn't include this, would you be able to rule that that was an acceptable presentation of the province's liabilities and assets?*

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- As well—legislative accounting is a risky thing
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- And so this is a sensitive issue, not just for my office, but for Auditor Generals' offices across Canada

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- This is precedent-setting

*Tabuns: --I have no doubt that this is precedent-setting. It's—I, I, I've found from the beginning this idea of setting up a, a shell company under OPG was an extraordinary measure. How would bond-rating agencies respond to this misstatement of the province's actual revenue and expenses?*

Lysyk:

· I, you know, I think at the end of the day, people—if they look at the consolidated financial statements—recognize that the source of money is one person, a person in Ontario

· And so whether it's the ratepayer or a taxpayer, it's captured in the statements

· You can still keep track of the difference between ratepayers and, and taxpayers

· So I think, you know, the—I would assume the bond-rating agencies are smart enough to understand that at the end of the day, if there was risk, it would be picked up by the province

*Tabuns: so would you urge the government to actually follow standard public-sector accounting principles?*

Lysyk:

· We would recommend that the government reconsider this bill—

*Chair Vernile: thank you very much, Ms. Lysyk. We appreciate your appearing before this committee this, this morning.*

[END TRANSCRIPT]

**Sebastian Prins**

Issues Manager and Legislative Assistant

Office of the Hon. Liz Sandals, MPP

President of the Treasury Board

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Auditor General on Fair Hydro.stub.pdf

Security settings or invalid file format do not permit using Auditor General on Fair Hydro.pdf (109657 Bytes).

RE\_ Rate Regulated Accounting.rtf

**From:** Veinot, Cindy (TBS) []  
**To:** Petsche, Nadine (TBS) [Nadine.Petsche@ontario.ca]; LeeAnne.Probert@ca.ey.com [LeeAnne.Probert@ca.ey.com]; Suzie Gignac (suzie.r.gignac@ca.ey.com) [suzie.r.gignac@ca.ey.com]; Blake Langill (blake.w.langill@ca.ey.com) [blake.w.langill@ca.ey.com]  
**Subject:** RE: Rate Regulated Accounting  
**Date:** Friday, May 26, 2017 09:20:15  
**Attachment 1:** @

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iew the original item

From: Petsche, Nadine (TBS)  
Sent: May 26, 2017 8:40 AM  
To: LeeAnne.Probert@ca.ey.com; Suzie Gignac (suzie.r.gignac@ca.ey.com); Blake Langill (blake.w.langill@ca.ey.com)  
Cc: Veinot, Cindy

**Attachments:**

Auditor General on Fair Hydro.pdf (111 KB)  
<https://ctsbigdcapmvs05.cihs.ad.gov.on.ca/EnterpriseVault/ViewMessage.asp?VaultId=19AA70AC14B574447BE04B141B399BA111110000ctsbigdcapmvs01&SavesetId=201706308855807~201705261320000000~Z~D13F4C7C34199BFAF78C27525A5B2C01&AttachmentId=1>Auditor General on Fair Hydro.pdf

RE\_ Rate Regulated Accounting.rtf

**From:** Veinot, Cindy (TBS) []  
**To:** Petsche, Nadine (TBS) [Nadine.Petsche@ontario.ca]; LeeAnne.Probert@ca.ey.com [LeeAnne.Probert@ca.ey.com]; Suzie Gignac (suzie.r.gignac@ca.ey.com) [suzie.r.gignac@ca.ey.com]; Blake Langill (blake.w.langill@ca.ey.com) [blake.w.langill@ca.ey.com]  
**Subject:** RE: Rate Regulated Accounting  
**Date:** Friday, May 26, 2017 09:20:15  
**Attachment 1:** Auditor General on Fair Hydro.pdf

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**From:** Petsche, Nadine (TBS)  
**Sent:** May 26, 2017 8:40 AM  
**To:** LeeAnne.Probert@ca.ey.com; Suzie Gignac (suzie.r.gignac@ca.ey.com); Blake Langill (blake.w.langill@ca.ey.com)  
**Cc:** Veinot, Cindy (TBS)  
**Subject:** FW: Rate Regulated Accounting

Below is the summary of the AG's comments earlier this week. We are still awaiting for the official transcripts. N

### **TRANSCRIPT – Auditor General Lysyk in Justice Policy – May 24, 2017**

Lysyk:

- Good morning
- I'm Bonnie Lysyk, and I'm the auditor general of Ontario
- Thank you for letting me comment on bill 132
- It is not the job of the auditor general to comment on government policy
- The government's decision to borrow money to lower hydro bills by 25% is a policy decision and so I have no comment on it
- However, when it comes to the accounting for such a decision, it is my responsibility to make sure that it is properly recorded in a consolidated financial

statements of the province

- And is transparently reported to the people of Ontario
- And this is why I am here today
- The accounting transaction is structured in a complex manner
- In simple terms, the government plans to record as an asset, the expected recovery of the 25% electricity costs from future ratepayers that it will borrow for and pay to power producers today
- In essence, it is setting up, as an asset, an accounts receivable that it expects to collect from future taxpayers between 202- ratepayers- between 2022 and 2047
- That is not yet an accounts receivable because the cust- consumer has not yet used the electricity
- A similar move to legislate accounting to defer costs was proposed with the restructuring of the Ontario electricity sector in the late 1990s
- At that time, the government did not want the net impact of the stranded debt which had already been incurred to be reflected in the province's financial statements
- Because it anticipated that ratepayers would pay down this debt, it wanted to create an asset to reflect those future anticipated revenues from electricity rate payers
- This approach would have fully offset the total stranded debt
- Such that there would have been no net debt impact reflected on the province's consolidated financial statements
- The Auditor General's opinion as stated in our office's 2000 annual report was that – I quote- would have set an unacceptable precedent for government accounting
- It would also have represented a departure from one of the central tenants of generally accepted accounting principles that revenue not be recognized until it is earned – end quote
- Government heard these concerns and was prudent in making the decision to not create an asset for future anticipated rate payer payments
- I believe those concerns are equally applicable today
- The government of today plans to borrow about \$26B to cover the 25% shortfall from rate payers

- But it does not want to reflect the overall impact of these borrowings on the consolidated statements of the province which include the electricity sector
- It plans to record the anticipated revenue as an asset to offset borrowings in its consolidated statements
- As a result, there will be no impact on the net debt on the province's balance sheet
- As well, this legislation is designed so that there will be no impact on the province's calculation on the annual surplus or deficit
- Today, like in 2000, we believe this sets a dangerous precedent
- Let me give you an example
- Snow plowing in Ontario is performed by private sector contractors who own equipment
- The contractors' bills are properly included as a government expense each year
- Now say the government decides that tax payers are paying too much for snowplowing and points out that there is value in the snowplowing equipment beyond the terms of the contract
- It could argue that it expects to negotiate significantly lower rates in future contracts and wants to defer some current snowplowing costs into the future to smooth these costs over time
- For obvious reasons, this is not allowed under Canadian Public Sector Accounting Standards
- As we know, accounting deals with past transactions, not future ones
- So to anticipate that private sector electricity generators will reduce their costs in the future, and to use legislation to make this potential future benefitting asset is also not allowed under Canadian Public Sector Accounting Standards
- So what's the bottom line?
- I would not be doing my job as auditor general if I said that creating assets through the legislation is acceptable
- Under this bill, the government's policy decision to borrow money to subsidize electricity bills will not affect the province's net debt or annual deficit

- This legislated accounting is not in accordance with Canadian Public Sector Accounting Standards
- These standards are there to ensure that the Financial Reporting of government policy decisions reflects common sense
- Borrowings or debt, unearned revenue is not an asset today
- And when your expenses exceed your revenues, you incur deficit
- Such common sense in the principle of substance over form should prevail in the financial reporting of government policy decisions
- I now welcome any questions you may have
- And –

*Delaney: Good Morning Auditor, nice to see you again, the Ontario Energy Board and the independent electricity system operator practiced the policy of deferral accounts fairly frequently, could you comment on that?*

Lysyk:

- With respect to this legislation, the government is legislating the behaviour and activities of the Ontario Energy Board with respect to this transaction
- We do not view them independent
- The power contracts that were negotiated
- That were government policy decision are not regulatory assets
- Because they were never fielded before regulator in Canada

*Delaney: Okay, in your opinion, would you give me a comment on the practice of spreading the costs of necessary infrastructure investments in general electricity, infrastructure in particular, in a way that more accurately represents the useful lifespan of those assets, given that the lifetime of those assets over the decades has expanded?*

Lysyk

- So in the case of the contracts that we're talking about

- The government does not own the assets
- They are owned by third parties
- And therefore the spreading of third party costs is a very unusual treatment
- And wouldn't have benefit to electricity ratepayers
- Because they have no assets to generate the power they need to pay for in the future
- Because the government does not own those assets

*Delaney: Okay, did your remarks in your presentation this morning accurately describe, in your opinion, what a regulatory asset is?*

Lysyk:

- Under PSA, Public Sector Accounting Standards, regulatory assets are considered intangibles
- And cannot be booked on financial statements in Canada
- US GAAP might allow it
- But US GAAP is not acceptable presentation standards for the government's financial statement

*Delaney: Okay, Thank you very much*

*Chair Vernile: Our next questions for you are from MPP Walker*

*Walker: Good Morning, how are you?*

Lysyk

- Good Morning

*Walker: This morning in the Fiscal Accountability Officer's document that he shared with us, he has a number 4 – it's actually titled accounting treatment uncertainty. It says, due to the nature of the proposed financing transaction, the FAO recommends that members of provincial parliament obtain assurance from the office of the Auditor General of Ontario, that the province has proposed accounting treatment for the electricity cost refinancing meets public sector accounting standards, and will not impact the province's annual surplus deficit – the net debt, Can you just make a quick comment on that, because I have a number of other questions*

Lysyk

- Yeah
- I would say at this point in time that based on the information that has been presented in the bill, and based on some of our own initiative – initiated work
- The transaction as proposed is legislated accounting
- And does not meet public sector accounting standards

*Walker: Agreed. And I think – you know – some of the comments you made, it sets a dangerous precedent, it's already been looked at to do this one other time, the government of the day actually prevailed and said you're right, we accept that, so it's interesting that the shell game is back on the docket, I think what you said at the very end of your document, borrowings are debt, unearned revenue is not an asset today, and when your expenses exceed your revenues, you incur a deficit. At the end of the day, what I can't seem to find \*inaudible\* explain how the government \*inaudible\* they're borrowing money \*inaudible\* pay their, their payment plan. And it's adding money. The figures this morning went as high as 93 billion dollars this could cost the taxpayers of Ontario. So I don't care whether you call me a taxpayer, a ratepayer, you call me whatever you want. But at the end of the day, the people of Ontario are going to have to pay this debt back. Is that true?*

Lysyk:

- That is true
- The financial statements for the government include the electricity sector, similar to the transaction for the Debt Retirement Fund—OEFC tracked the difference between the rate regulator and the government
- And so that worked well

- In that case, the debt was recorded on the province's statement
- At the end of the day what this is is a financing transaction
- It is the government borrowing—needing to borrow money—to cover the difference between what they're collecting from ratepayers and what they're paying to the power producers
- That's pretty much the simplicity of it

*Walker: and, and they're putting it on OPG's books, so it won't show as a net deficit or impact them in a negative consequence on their actual books.*

Lysyk:

- That's correct
- All the transactions are designed not to affect net debt on the province's books and not to affect the bottom line annual deficit or surplus of the government

*Walker: and if these unearned revenues that they're assuming don't come through, who's on the hook to pay those. Regardless of whether they're on OPG's books or they're on the government books?*

Lysyk:

- It would still be the province

*Walker: the province—the people of the Province of Ontario, is that correct?*

Lysyk:

- Correct

*Walker: because that's where the money comes—the province has no money, it comes from the people.*

Lysyk:

· Correct, I think—

*Walker: yes.*

Lysyk:

· --there are a lot of people investing a lot of time and money to set this up, structure it in such a way that it doesn't affect the bottom line

*Walker: is it a fair statement—even if they were to borrow this 26 billion dollars—if they borrow it as the Province of Ontario, the rate to actually borrow would be much less than it will be by putting, say, 55 percent on OPG's books. OPG cannot borrow at the same rate as the Province of Ontario?*

Lysyk:

· I believe so but I, I'm not the authority on the—

*Chair Vernile: thank you very much, Mr. Walker.*

*Walker: we were told that it was about a 4-billion dollar—*

*Chair Vernile: and our final questions for you today are from Mr. Tabuns.*

*Tabuns: thank you, Chair. Ms. Lysyk, thank you very much for appearing today. You've said to us then that what's proposed by the government does not accept public sector accounting standards. If a statement was brought to you that did not include these funds—say a statement of income and expense for the province as a whole. If a balance sheet came forward and didn't include this, would you be able to rule that that was an acceptable presentation of the province's liabilities and assets?*

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*Tabuns: so would you urge the government to actually follow standard public-sector accounting principles?*

Lysyk:

· We would recommend that the government reconsider this bill—

*Chair Vernile: thank you very much, Ms. Lysyk. We appreciate your appearing before this committee this, this morning.*

[END TRANSCRIPT]

**Sebastian Prins**

Issues Manager and Legislative Assistant

Office of the Hon. Liz Sandals, MPP

President of the Treasury Board

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RE\_ AG-IESO accounting Policy Questions (2).pdf

**From:** [Petsche, Nadine \(TBS\)](#)  
**To:** [Kim Marshall](#)  
**Subject:** RE: AG-IESO accounting Policy Questions  
**Date:** May 19, 2017 1:42:00 PM

---

thx

---

**From:** Kim Marshall [mailto:Kim.Marshall@ieso.ca]  
**Sent:** May-19-17 1:42 PM  
**To:** Petsche, Nadine (TBS)  
**Subject:** RE: AG-IESO accounting Policy Questions

yes

**Kimberly Marshall** | VP, Corporate Services & CFO  
Independent Electricity System Operator (IESO) | T: (416) 969-6232 | C: (416) 545-7202  
120 Adelaide Street West, Suite 1600, Toronto, ON M5H 1T1  
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**From:** Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]  
**Sent:** May 19, 2017 1:41 PM  
**To:** Kim Marshall  
**Subject:** RE: AG-IESO accounting Policy Questions

Thanks Kim.

Please confirm that you are OK with us sharing this with our external accounting advisors as well.  
Have a wonderful weekend. Nadine

---

**From:** Kim Marshall [mailto:Kim.Marshall@ieso.ca]  
**Sent:** May-19-17 1:16 PM  
**To:** Schuurman, Tim (MOF); Veinot, Cindy (TBS); Petsche, Nadine (TBS)  
**Subject:** AG-IESO accounting Policy Questions

Tim, Cindy, attached is the IESO response to the office of the auditor general on accounting policy questions, which are also included. Tim, please feel free to forward to the FAO. Thanks. Have a great weekend.

**Kimberly Marshall** | VP, Corporate Services & CFO  
Independent Electricity System Operator (IESO) | T: (416) 969-6232 | C: (416) 545-7202  
120 Adelaide Street West, Suite 1600, Toronto, ON M5H 1T1  
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RE\_EXTERNAL □FW\_Joint Meeting\_AG Report (2).pdf

**From:** [Veinot, Cindy \(TBS\)](#)  
**To:** [Kim Marshall](#)  
**Cc:** [HARTWICK Ken -FINANCE](#); [Hosick, Sarah \(TBS\)](#); [Donaldson, Mark \(TBS\)](#)  
**Subject:** RE: EXTERNAL – FW: Joint Meeting | AG Report  
**Date:** October 13, 2017 9:28:00 AM

---

Steen and I chatted last night -- he is using the speaking points we drafted for our Minister's meeting with the AG as the starting point for the accounting slide and as Kim noted, will need assistance once more direction is provided.

Thanks,

Cindy

-----Original Message-----

From: Kim Marshall [<mailto:Kim.Marshall@ieso.ca>]  
Sent: October 13, 2017 9:16 AM  
To: Veinot, Cindy (TBS)  
Cc: HARTWICK Ken -FINANCE; Hosick, Sarah (TBS); Donaldson, Mark (TBS)  
Subject: Re: EXTERNAL – FW: Joint Meeting | AG Report

I expect we will edit once tone and level of detail set

Sent from my iPad

> On Oct 12, 2017, at 5:32 PM, Veinot, Cindy (TBS) <[Cindy.Veinot@ontario.ca](mailto:Cindy.Veinot@ontario.ca)> wrote:

>

> So you both are expecting Steen to draft accounting slides?

>

> Sent from my BlackBerry 10 smartphone on the Rogers network.

> From: HARTWICK Ken -FINANCE

> Sent: Thursday, October 12, 2017 5:19 PM

> To: Veinot, Cindy (TBS); Kim Marshall

> Cc: Hosick, Sarah (TBS); Donaldson, Mark (TBS)

> Subject: RE: EXTERNAL – FW: Joint Meeting | AG Report

>

>

> Same as Kim

>

> From: Veinot, Cindy (TBS) [<mailto:Cindy.Veinot@ontario.ca>]

> Sent: Thursday, October 12, 2017 4:50 PM

> To: HARTWICK Ken -FINANCE <[ken.hartwick@opg.com](mailto:ken.hartwick@opg.com)>; Kim Marshall

> <[Kim.Marshall@ieso.ca](mailto:Kim.Marshall@ieso.ca)>

> Cc: Hosick, Sarah (TBS) <[Sarah.Hosick@ontario.ca](mailto:Sarah.Hosick@ontario.ca)>; Donaldson, Mark

> (TBS) <[Mark.Donaldson@ontario.ca](mailto:Mark.Donaldson@ontario.ca)>

> Subject: EXTERNAL – FW: Joint Meeting | AG Report

>

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>

> Ken and Kim – regarding the outline of the deck that was discussed at the meeting yesterday that I missed, are you drafting slides for section 5?

>

> Thx

>

> From: Schlaepfer, Martin (ENERGY)  
> Sent: October 7, 2017 2:45 PM  
> To: Schlaepfer, Martin (ENERGY); Bungaro-Yemec, Francesca (ENERGY);  
> Teliszewsky, Andrew (ENERGY); Baker, Carys (ENERGY); Hume, Steen  
> (ENERGY); Nelms, Scott (MOF); Cox, Hilary (ENERGY); Cengarle, John  
> (MOF); Calwell, Carolyn (ENERGY); Feather, Adam (ENERGY); Murray, Maud  
> (ENERGY); Pau, Joseph (MEDG/MRIS); MacIntyre, Kyle (TBS); McLean,  
> David (MOF); Strathy, Anna (OFA); Angus, Helen (TBS); Thompson, Scott  
> (MOF); Hughes, Karen (TBS); Veinot, Cindy (TBS); Mayman, Gadi (OFA);  
> Foster, Robert (CAB); Davidson, Steven (CAB); Evans, Karen (ENERGY);  
> 'peter.gregg@ieso.ca'; 'Dianne Hayes'; David Barrett; 'Jordan Penic';  
> 'jeffrey.lyash@opg.com';  
> catriona.king@opg.com<<mailto:catriona.king@opg.com>>; 'HOILETT  
> Rosemarie -PRESIDENT'; Betzner, Lynn (CAB); Farrow, Alicia (CAB);  
> McMichael, Rhonda (CAB)  
> Cc: Whittington, Matt (ENERGY); Ue, Allison (TBS); Nelson, Dane (TBS);  
> Pichelli, Jason (TBS); Poopalapillai, Christine (TBS); Nguyen,  
> Marianne (MOF); Giroux Namian, Orli (MOF); Gallant, Gabrielle (TBS);  
> Jancik, Mike (OPO); Ghiassi, Ali (MOF); Chander, Sunita (ENERGY);  
> Thouin, Alena (ENERGY); Christie, Tim (ENERGY); Bromm, William (CAB);  
> 'HARTWICK Ken -FINANCE'; 'Kim Marshall'; 'Terry Young'; Sullivan,  
> Bryant (TBS); DiMuzio, Sofie (TBS); 'ROWE Jennifer -CORPAFFAIRS';  
> Cayley, Daniel (ENERGY); Killorn, Bill (OPO); McKinlay, Tom (MAG);  
> Lone, Dianne (MOF); Kandeepan, Ken (OFA)  
> Subject: Joint Meeting | AG Report

>  
> Hi everyone,  
>  
> Attached are the materials for Tuesday afternoon's meeting:

- >  
> 1. Agenda  
>  
> 2. Working Draft – Technical Briefing Presentation Outline  
>  
> 3. OFHP Media Briefing Presentation used at the initial launch of OFHP  
>  
> 4. Government Response (password protected)  
>  
> 5. OAG Feedback on Government Comments (password protected)  
>

> Password to follow.

>  
> Thanks,  
> Martin

>  
> Martin Schlaepfer  
> Director of Operations  
> Deputy Minister's Office  
> Ministry of Energy  
> T: 416-326-7688  
> E: martin.schlaepfer@ontario.ca<<mailto:martin.schlaepfer@ontario.ca>>

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**From:** Kim Marshall [Kim.Marshall@ieso.ca]  
**To:** Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]  
**CC:** HARTWICK Ken -FINANCE [ken.hartwick@opg.com]; Hosick, Sarah (TBS) [Sarah.Hosick@ontario.ca]; Donaldson, Mark (TBS) [Mark.Donaldson@ontario.ca]  
**Subject:** Re: EXTERNAL – FW: Joint Meeting | AG Report  
**Date:** Friday, October 13, 2017 09:16:14

---

I expect we will edit once tone and level of detail set

Sent from my iPad

> On Oct 12, 2017, at 5:32 PM, Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca> wrote:  
>  
> So you both are expecting Steen to draft accounting slides?  
>  
> Sent from my BlackBerry 10 smartphone on the Rogers network.  
> From: HARTWICK Ken -FINANCE  
> Sent: Thursday, October 12, 2017 5:19 PM  
> To: Veinot, Cindy (TBS); Kim Marshall  
> Cc: Hosick, Sarah (TBS); Donaldson, Mark (TBS)  
> Subject: RE: EXTERNAL – FW: Joint Meeting | AG Report  
>  
>  
> Same as Kim  
>  
> From: Veinot, Cindy (TBS) [mailto:Cindy.Veinot@ontario.ca]  
> Sent: Thursday, October 12, 2017 4:50 PM  
> To: HARTWICK Ken -FINANCE <ken.hartwick@opg.com>; Kim Marshall <Kim.Marshall@ieso.ca>  
> Cc: Hosick, Sarah (TBS) <Sarah.Hosick@ontario.ca>; Donaldson, Mark (TBS)  
<Mark.Donaldson@ontario.ca>  
> Subject: EXTERNAL – FW: Joint Meeting | AG Report  
>  
> \*\*\* Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from  
unknown senders or unexpected email. \*\*\*  
>  
>  
> Ken and Kim – regarding the outline of the deck that was discussed at the meeting yesterday that I  
missed, are you drafting slides for section 5?  
>  
> Thx  
>  
> From: Schlaepfer, Martin (ENERGY)  
> Sent: October 7, 2017 2:45 PM  
> To: Schlaepfer, Martin (ENERGY); Bungaro-Yemec, Francesca (ENERGY); Teliszewsky, Andrew  
(ENERGY); Baker, Carys (ENERGY); Hume, Steen (ENERGY); Nelms, Scott (MOF); Cox, Hilary  
(ENERGY); Cengarle, John (MOF); Calwell, Carolyn (ENERGY); Feather, Adam (ENERGY); Murray,  
Maud (ENERGY); Pau, Joseph (MEDG/MRIS); MacIntyre, Kyle (TBS); McLean, David (MOF); Strathy,  
Anna (OFA); Angus, Helen (TBS); Thompson, Scott (MOF); Hughes, Karen (TBS); Veinot, Cindy (TBS);  
Mayman, Gadi (OFA); Foster, Robert (CAB); Davidson, Steven (CAB); Evans, Karen (ENERGY);  
'peter.gregg@ieso.ca'; 'Dianne Hayes'; David Barrett; 'Jordan Penic'; 'jeffrey.lyash@opg.com';  
catriona.king@opg.com<mailto:catriona.king@opg.com>; 'HOILETT Rosemarie -PRESIDENT'; Betzner,  
Lynn (CAB); Farrow, Alicia (CAB); McMichael, Rhonda (CAB)  
> Cc: Whittington, Matt (ENERGY); Ue, Allison (TBS); Nelson, Dane (TBS); Pichelli, Jason (TBS);  
Poopalapillai, Christine (TBS); Nguyen, Marianne (MOF); Giroux Namian, Orli (MOF); Gallant, Gabrielle  
(TBS); Jancik, Mike (OPO); Ghiassi, Ali (MOF); Chander, Sunita (ENERGY); Thouin, Alena (ENERGY);

Christie, Tim (ENERGY); Bromm, William (CAB); 'HARTWICK Ken -FINANCE'; 'Kim Marshall'; 'Terry Young'; Sullivan, Bryant (TBS); DiMuzio, Sofie (TBS); 'ROWE Jennifer -CORPAFFAIRS'; Cayley, Daniel (ENERGY); Killorn, Bill (OPO); McKinlay, Tom (MAG); Lone, Dianne (MOF); Kandeepan, Ken (OFA)

> Subject: Joint Meeting | AG Report

>

> Hi everyone,

>

> Attached are the materials for Tuesday afternoon's meeting:

>

> 1. Agenda

>

> 2. Working Draft – Technical Briefing Presentation Outline

>

> 3. OFHP Media Briefing Presentation used at the initial launch of OFHP

>

> 4. Government Response (password protected)

>

> 5. OAG Feedback on Government Comments (password protected)

>

> Password to follow.

>

> Thanks,

> Martin

>

> Martin Schlaepfer

> Director of Operations

> Deputy Minister's Office

> Ministry of Energy

> T: 416-326-7688

> E: [martin.schlaepfer@ontario.ca](mailto:martin.schlaepfer@ontario.ca)<<mailto:martin.schlaepfer@ontario.ca>>

>

>

>

>

>

>

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Re\_ Joint Meeting \_ AG Report.rtf

**From:** Kim Marshall [Kim.Marshall@ieso.ca]  
**To:** Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]  
**CC:** HARTWICK Ken -FINANCE [ken.hartwick@opg.com]; Hosick, Sarah (TBS) [Sarah.Hosick@ontario.ca]; Donaldson, Mark (TBS) [Mark.Donaldson@ontario.ca]  
**Subject:** Re: Joint Meeting | AG Report  
**Date:** Thursday, October 12, 2017 17:17:48

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iew the original item

I expect steen to take a first draft

Sent from my iPhone

On Oct 12, 2017, at 4:51 PM, Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca> wrote:

Ken and Kim &#8211; regarding the outline of the dec

Re\_ Joint Meeting \_ AG Report.rtf

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**CC:** HARTWICK Ken -FINANCE [ken.hartwick@opg.com]; Hosick, Sarah (TBS) [Sarah.Hosick@ontario.ca]; Donaldson, Mark (TBS) [Mark.Donaldson@ontario.ca]  
**Subject:** Re: Joint Meeting | AG Report  
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View the original item

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**To:** Schlaepfer, Martin (ENERGY); Bungaro-Yemec, Francesca (ENERGY); Teliszewsky, Andrew (ENERGY); Baker, Carys (ENERGY); Hume, Steen (ENERGY); Nelms, Scott (MOF); Cox, Hilary (ENERGY); Cengarle, John (MOF); Calwell, Carolyn (ENERGY); Feather, Adam (ENERGY); Murray, Maud (ENERGY); Pau, Joseph (MEDG/MRIS); MacIntyre, Kyle (TBS); McLean, David (MOF); Strathy, Anna (OFA); Angus, Helen (TBS); Thompson, Scott (MOF); Hughes, Karen (TBS); Veinot, Cindy (TBS); Mayman, Gadi (OFA); Foster, Robert (CAB); Davidson, Steven (CAB); Evans, Karen (ENERGY); '[peter.gregg@ieso.ca](mailto:peter.gregg@ieso.ca)'; 'Dianne Hayes'; David Barrett; 'Jordan Penic'; '[jeffrey.lyash@opg.com](mailto:jeffrey.lyash@opg.com)'; '[catriona.king@opg.com](mailto:catriona.king@opg.com)'; 'HOILETT Rosemarie -PRESIDENT'; Betzner, Lynn (CAB); Farrow, Alicia (CAB); McMichael, Rhonda (CAB)  
**Cc:** Whittington, Matt (ENERGY); Ue, Allison (TBS); Nelson, Dane (TBS); Pichelli, Jason (TBS); Poopalapillai, Christine (TBS); Nguyen, Marianne (MOF); Giroux Namian, Orli (MOF); Gallant, Gabrielle (TBS); Jancik, Mike (OPO); Ghiassi, Ali (MOF); Chander, Sunita (ENERGY); Thouin, Alena (ENERGY); Christie, Tim (ENERGY); Bromm, William (CAB); 'HARTWICK Ken -FINANCE'; 'Kim Marshall'; 'Terry Young'; Sullivan, Bryant (TBS); DiMuzio, Sofie (TBS); 'ROWE Jennifer -CORPAFFAIRS'; Cayley, Daniel (ENERGY); Killorn, Bill (OPO); McKinlay, Tom (MAG); Lone, Dianne (MOF); Kandeepan, Ken (OFA)  
**Subject:** Joint Meeting | AG Report

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3. OFHP Media Briefing Presentation used at the initial launch of OFHP
4. Government Response (password protected)
5. OAG Feedback on Government Comments (password protected)

Password to follow.

Thanks,

Martin

**Martin Schlaepfer**

Director of Operations

Deputy Minister's Office

Ministry of Energy

T: 416-326-7688

E: [martin.schlaepfer@ontario.ca](mailto:martin.schlaepfer@ontario.ca)

<OFHP Technical Briefing Deck Outline.docx>

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Re\_ AG-IESO accounting Policy Questions.pdf

**From:** [Petsche, Nadine \(TBS\)](#)  
**To:** [Kim Marshall](#)  
**Subject:** Re: AG-IESO accounting Policy Questions  
**Date:** May 25, 2017 11:29:01 PM

---

Hi Kim.

Can we please get a soft copy of the response letter (including appendices). Thanks. Nadine

From: Kim Marshall  
Sent: Friday, May 19, 2017 1:16 PM  
To: Schuurman, Tim (MOF); Veinot, Cindy (TBS); Petsche, Nadine (TBS)  
Subject: AG-IESO accounting Policy Questions

Tim, Cindy, attached is the IESO response to the office of the auditor general on accounting policy questions, which are also included. Tim, please feel free to forward to the FAO. Thanks. Have a great weekend.

Kimberly Marshall | VP, Corporate Services & CFO

Independent Electricity System Operator (IESO) | T: (416) 969-6232 | C: (416) 545-7202

120 Adelaide Street West, Suite 1600, Toronto, ON M5H 1T1

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