Re: **>Ont<** Electricity IESO

From: "Forgione, Andrew (OPO)" <andrew.forgione@ontario.ca>
To: "Moulton, Dan (ENERGY)" <dan.moulton@ontario.ca>, "Xavier, Katrina (ENERGY)" <katrina.xavier@ontario.ca>, "Killorn, Bill (OPO)" <bill.killorn@ontario.ca>, "Campbell, David (ENERGY)" <david.campbell2@ontario.ca>
Cc: "McPhail, Blane (OPO)" <blane.mcphail@ontario.ca>, "Beaudry, Jennifer (OPO)" <jennifer.beaudry2@ontario.ca>
Date: Tue, 25 Oct 2016 09:58:47 -0400

We should be getting you the statement shortly.

A. Forgione
(647)-205-3475

From: Moulton, Dan (ENERGY)
Sent: Tuesday, October 25, 2016 9:55 AM
To: Xavier, Katrina (ENERGY); Forgione, Andrew (OPO); Killorn, Bill (OPO); Campbell, David (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: Re: **>Ont<** Electricity IESO

Hi guys,

Can I recommend that we send paragraphs 2 thru 4 to Keith now. He has the deputy and Minister explaining at committee and has connected with ieso on background. I think we should get the content in those from a spokesperson as well before he sends recast.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Xavier, Katrina (ENERGY)
Sent: Tuesday, October 25, 2016 9:01 AM
To: Forgione, Andrew (OPO); Moulton, Dan (ENERGY); Killorn, Bill (OPO); Campbell, David (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO); Jancik, Mike (TBS)
Subject: RE: **>Ont<** Electricity IESO

Updated to make it clearer, thoughts:

Let me be clear – there will be no additional impact to ratepayers.

In 2010, accounting practices changed, in accordance with expert guidelines. The accounting change had an impact on how their actuarial payments to the pension fund were calculated. In other words, it changed the accounting of their pension needs, often more than a decade into the future. There will be no additional impact to ratepayers, accountants will determine over

which period these payments need to be recovered. **This item was always part of the IESO's balance sheet under GAAP, the former accounting principle that the IESO used. The difference in moving to the new accounting principle under CPSAS is that they were required to separate it out and show it separately in statements. That is what you see now.**

Today, the opposition is trying to make political hay of something reported on the public accounts for the past seven years. It's clear that Patrick Brown and the conservatives have no energy plan to offer the people of Ontario, and instead focus on misrepresenting facts and misleading the public and media Leadership is about standing up and stating your plan clearly. This means telling Ontarians what your plans are, and how you would manage our province differently. Our government has a plan, we encourage Ontarians to demand to see Patrick Brown's.

We are and have been committed to openness and transparency, which is why we have the public accounts process to begin with. We refuse to be distracted by these unsubstantiated tactics to manipulate publically released standard accounting numbers. Running a province is not a game.

Our government is and will remain focused on doing everything we can to reduce electricity system costs and responsibly manage a clean, steady supply of energy.

From: Forgione, Andrew (OPO)
Sent: October-25-16 8:56 AM
To: Xavier, Katrina (ENERGY); Moulton, Dan (ENERGY); Killorn, Bill (OPO); Campbell, David (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO); Jancik, Mike (TBS)
Subject: RE: **>Ont<** Electricity IESO

Revised. Adding Mike just so he's aware. Another question I have is if we say 7 years ago they moved to CPSAS why did we only start reporting it in 2012, 4 years ago?

Let me be clear – there will be no additional impact to ratepayers.

Nearly seven years ago, the IESO moved to the Canadian Public Sector Accounting Standards [why did the IESO change the standard]. This change has been reflected in each of the public accounts dating back to 2012. While this changed the time period for reflection of their pension liabilities on the province's consolidated account, there are no additional impacts to ratepayers. This item was always part of the IESO's balance sheet under GAAP, the former accounting principle that the IESO used. The difference in moving to the new accounting principle under CPSAS is that they were required to separate it out and show it separately in statements. That is what you see now.

Today, the opposition is trying to make political hay of something reported on the public accounts for the past seven years. It's clear that Patrick Brown and the conservatives have no energy plan to offer the people of Ontario, and instead focus on misrepresenting facts and misleading the public and media Leadership is about standing up and stating your plan clearly. This means telling Ontarians what your plans are, and how you would manage our province differently. Our government has a plan, we encourage Ontarians to demand to see Patrick

Brown's.

We are and have been committed to openness and transparency, which is why we have the public accounts process to begin with. We refuse to be distracted by these unsubstantiated tactics to manipulate publically released standard accounting numbers. Running a province is not a game.

Our government is and will remain focused on doing everything we can to reduce electricity system costs and responsibly manage a clean, steady supply of energy.

-----Original Message-----
From: Xavier, Katrina (ENERGY)
Sent: October-25-16 8:39 AM
To: Moulton, Dan (ENERGY); Forgione, Andrew (OPO); Killorn, Bill (OPO); Campbell, David (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: RE: **>Ont<** Electricity IESO

We are updating and building further with the first paragraph. Will keep sending updated information as it comes in. Need to confirm 2011 date.

One week ago, our government passed legislation to reduce all electricity bills in Ontario by 8 per cent. Today, the opposition is playing simple political games with actuarial science and accounting standards. Nearly seven years ago, the IESO moved to the Canadian public sector accounting standards. This change has been reflected in each of the public accounts dating back to 2011. While this changed the time period for reflection of their pension liabilities on the province's consolidated account, there are no additional impacts to ratepayers. Today, the opposition is trying to make political hay of something reported on the public accounts for the past seven years.

It couldn't be more clear that Patrick Brown and the progressive conservatives have no energy plan to offer the people of Ontario, other than playing games with the media. Leadership is about standing up and stating your plan clearly. This means telling Ontarians what your plans are, and how you would manage our province differently. Our government has a plan, we encourage Ontarians to demand to see Patrick Brown's.

We are and have been committed to openness and transparency, which is why we have the public accounts process to begin with. We refuse to be distracted by these unsubstantiated tactics to manipulate publically released standard accounting numbers. Running a province is not a game.

Our government is and will remain focused on doing everything we can to reduce electricity system costs and responsibly manage a clean, steady supply of energy.

-----Original Message-----
From: Moulton, Dan (ENERGY)
Sent: October-25-16 8:31 AM
To: Forgione, Andrew (OPO); Killorn, Bill (OPO); Campbell, David (ENERGY); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: Re: **>Ont<** Electricity IESO

The way the accounting works a savings wouldn't offset a pension liability.

We are updating notes. Will be able to say no additional impact to ratepayers. Just changes time period.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Forgione, Andrew (OPO)
Sent: Tuesday, October 25, 2016 8:21 AM
To: Moulton, Dan (ENERGY); Killorn, Bill (OPO); Campbell, David (ENERGY); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: Re: **>Ont<** Electricity IESO

Did IESO find any savings this year that offset this $80M? Need to say something about this not impacting ratepayers. And how are "system costs" recovered typically?

A. Forgione
(647)-205-3475
Original Message
From: Moulton, Dan (ENERGY)
Sent: Tuesday, October 25, 2016 8:18 AM
To: Killorn, Bill (OPO); Campbell, David (ENERGY); Forgione, Andrew (OPO); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: RE: **>Ont<** Electricity IESO

We're updating accordingly. Katrina sending out an updated statement and we're adding to the HBN as we get more information. We need to remain really simple here though. This was a very standard move to Public Sector Accounting Standards in 2010. It's an estimate of pension requirements under those updated standards.

-----Original Message-----
From: Killorn, Bill (OPO)
Sent: October-25-16 8:12 AM
To: Campbell, David (ENERGY); Moulton, Dan (ENERGY); Forgione, Andrew (OPO); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: RE: **>Ont<** Electricity IESO

I appreciate all the work you guys are doing. But we need to explain what this is otherwise we will lose control of the narrative. This note does not speak to the issue.

-----Original Message-----
From: Campbell, David (ENERGY)

Sent: October-25-16 8:05 AM
To: Moulton, Dan (ENERGY); Killorn, Bill (OPO); Forgione, Andrew (OPO); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: RE: **>Ont<** Electricity IESO

Draft note for the House today.

-----Original Message-----
From: Moulton, Dan (ENERGY)
Sent: October-25-16 7:51 AM
To: Killorn, Bill (OPO); Campbell, David (ENERGY); Forgione, Andrew (OPO); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: RE: **>Ont<** Electricity IESO

CP statement outline. Something like this.

One week ago, our government passed legislation to reduce all electricity bills in Ontario by 8 per cent and provide expanded relief for rural families. Today, the opposition is playing simple political games with basic actuarial science and accounting standards. It couldn't be more clear that Patrick Brown and the social conservatives have no energy plan to offer the people of Ontario. Leadership is about standing up and stating your plan quite clearly what your plans are and what you would do differently. Our government will remain focused on doing everything we can to reduce electricity system costs and responsibly manage a clean, steady supply of energy. We won't be distracted by these tactics.

-----Original Message-----
From: Moulton, Dan (ENERGY)
Sent: October-25-16 7:37 AM
To: Killorn, Bill (OPO); Campbell, David (ENERGY); Forgione, Andrew (OPO); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: RE: **>Ont<** Electricity IESO

We're awaiting further explanation from IESO, but it appears this is a massive overstatement of the situation. The following is the explanatory note from the Public Accounts. They moved over to PSAB in 2010 and there were pension changes associated, as there always would be. It would be helpful as we break this down on our side if TBS or MOF was able to provide examples of other entities that have been doing the same thing? I could be wrong, but thought that was something every agency was required to move towards?

I'm also wondering if this is a question about IFRS/USGAAP that the AG was taking issue with? I don't know enough about implications in or against our favour there?

"Effective January 1, 2011, the IESO adopted Canadian public sector accounting standards with a transition date of January 1, 2010. The adoption of PSAB was accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, First-time Adoption by Government Organizations.

The corresponding change to pension and other-post employment benefits resulted in previously unrecognized actuarial losses and past service costs of $80,617 thousand at the date of transition being charged to the accumulated deficit.

The IESO includes a portion of the accumulated deficit resulting from the PSAB transition items in the annual proposed expenditures to the OEB for recovery through system fees."

-----Original Message-----
From: Moulton, Dan (ENERGY)
Sent: October-25-16 6:55 AM
To: Killorn, Bill (OPO); Campbell, David (ENERGY); Forgione, Andrew (OPO); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: Re: **>Ont<** Electricity IESO

All hands on deck over here.

Were working to get to bottom of allegations and to include our comment in Keiths recast.

Minister also up at Estimates at 9am - so give ministry added push.

Rest assured, this issue has our full attention.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Killorn, Bill (OPO)
Sent: Tuesday, October 25, 2016 6:52 AM
To: Campbell, David (ENERGY); Forgione, Andrew (OPO); Moulton, Dan (ENERGY); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Beaudry, Jennifer (OPO)
Subject: RE: **>Ont<** Electricity IESO

Will need it sooner than 8:30.

Need it ASAP we need to ensure that Keith Leslie gets our messaging before his story gets picked up wider like last week.

-----Original Message-----
From: Campbell, David (ENERGY)
Sent: October-25-16 6:47 AM
To: Forgione, Andrew (OPO); Moulton, Dan (ENERGY); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Killorn, Bill (OPO)
Subject: Re: **>Ont<** Electricity IESO

Yes we're working on it. Talk soon

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Forgione, Andrew (OPO)
Sent: Tuesday, October 25, 2016 6:19 AM
To: Campbell, David (ENERGY); Moulton, Dan (ENERGY); Xavier, Katrina (ENERGY)
Cc: McPhail, Blane (OPO); Killorn, Bill (OPO)
Subject: Fw: **>Ont<** Electricity IESO

See below - can you send us your messaging by 8:30 am? We have an earlier briefing with the premier today and will need to brief her on it

A. Forgione
(647)-205-3475
Original Message
From: Command News <fp.NEWS.AFORGIONE@commandnews.com>
Sent: Tuesday, October 25, 2016 4:02 AM
To: Forgione, Andrew (OPO)
Subject: **>Ont<** Electricity IESO

Profile: AFORGIONE / My Drawer / Ontario Political News - Clip 3 (limit 30) Oct 25 2016 04:00:00 - Source: BN [The Canadian Press - Broadcast wire]

>Ont< Electricity IESO
TORONTO - **>Ontario<**'s efforts to ease the upward pressure on electricity rates has been dealt a setback by a change in accounting practices.

In the government's public accounts for 2015-16, the Independent Electricity System Operator reported a ``previously unrecognized actuarial loss and past service costs'' of just over $80 million.

The provincial agency which oversees **>Ontario<**'s electricity market says it will raise fees it charges the power industry to recover the losses as part of its accumulated deficit charge.

Progressive Conservative researchers discovered the $80 million loss in the public accounts and the Opposition plans to raise the issue in the legislature today.

The Tories point out the loss more than offsets the $70 million the Liberals said would be saved over seven years under Ontario's new deal to purchase two terawatt hours of electricity annually from Quebec.

The Liberals are also removing the eight per cent provincial portion of the HST from electricity bills, and scrapping plans for more wind and solar power projects, to reduce system costs and ease upward pressure on rates.

(The Canadian Press)

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