contaminated sites
- Stelco. ⇒ - end of day tomorrow

→ # in fiscal plan ⇒
⇓
COO

## Assumptions Supporting Projected Fiscal Impact Scenarios for Key Accounting Risks

The following summary focuses on three main financial reporting risks:

1. Reporting of net pension assets
2. Basis of consolidation for OPG and H1 (US GAAP vs. IFRS)
3. Timing recognition for Cap and Trade revenues

Excluded from the analysis pending further information and impact analysis:

- Recognition of Metrolinx Assets pending agreement with City of Toronto
- Requirements for recognition of year-end accruals on TPs
- Potential risks associated with AG review of contaminated sites liability
- Accounting for other electricity sector transactions (H1 shares, Brampton One)

⇒ Energy PRRT ⇒

19-20

| ($ Millions) | 2016-17 | 2017-18 | 2018-19 | Assumptions |
|---|---|---|---|---|
| **Report Net Pension Assets** | | | | |
| Scenario 1: Lowest Fiscal Impact Case | | HOOPP 8<br>CAATPP 73<br>91 | HOOPP 583<br>CAATPP 98<br>681 | • Expert Advisory Panel (EAP) concludes that:<br>○ pension assets for HOOPP and CAATPP should not be reported under PSAB, and<br>○ pension assets for OTPP and OPSEUPP should be reported and measured consistent with past practice<br>• Province agrees with conclusions of EAP<br>• AG has not commented on HOOPP or CAATPP accounting. AG would have to agree with Province's position. |
| Scenario 2: Higher Fiscal Impact Case | | OTPP 2,558<br>OPSEUPP 135<br>HOOPP 8<br>CAATPP 73<br>2,775 | OTPP 2,910<br>OPSEUPP 153<br>HOOPP 583<br>CAATPP 98<br>3,744 | • EAP concludes that no pension assets should be reported for OTPP, OPSEUPP, HOOPP or CAATPP<br>• Province agrees with conclusions of EAP for all plans and ends reporting of pension assets on provincial balance sheet.<br>• AG agrees that her position on OTPP and OPSEUPP also applies to HOOPP and CAATPP |

1. FES - legislation
2. Panel - HOOPP/CAATT
En.

- Fiscal plan vs. change.

| IFRS vs. US GAAP (H1 and OPG) | | | | |
|---|---|---|---|---|
| Scenario 1: Lowest Fiscal Impact Case | 0 | 0 | 0 | • Status Quo: Province continues to consolidate H1 and OPG on US GAAP basis<br>• Province adjusts statutory framework to support this accounting policy decision, including passing any needed FAA regulation, and potentially seeking amendments to the AG Act<br>• AG qualifies her audit opinion |
| Scenario 2: ~~Smoothed~~ Impact Case | 75 | 425 | 525 | • Province adopts IFRS basis for consolidation of H1 and OPG, and chooses to update annually the discount rate applied to calculate OPG's asset retirement obligation<br>• For unqualified opinion, AG would need to change her view to agree with annual estimation approach<br>• Province would accept risk of potential future elimination of rate regulated accounting under IFRS standards (write-off of **$9 billion** in regulatory assets, introduce volatility to annual surplus/deficit) |
| Scenario 3 Non-smoothed Case | 1,000 | 375 | 400 | • Province adopts IFRS basis for consolidation of H1 and OPG, and chooses to update every five years the discount rate applied to calculate OPG's asset retirement obligation<br>• Province would accept AG's view which is inconsistent with OPG's and Province's current position<br>• Province would accept risk of potential future elimination of rate regulated accounting under IFRS standards (write-off of **$9 billion** in regulatory assets, introduce volatility to annual surplus/deficit) |
| [illegible] (Revenue impact) | | | | |
| Timing of recognition of initial auction proceeds | (478) | 478 | | • AG concurs that Province recognizes the revenue under PSAB beginning in 2017-18 |

Prepared by: John Psinas, Manager, External Reporting
Approved by: Nadine Petsche, Director, Accounting Policy and Financial Reporting
Date: January 6, 2017

Essar Stelco - court settlement.
2 sided transaction -