RE: RUSH MO Question: IESO Accounting Standards

From: "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
To: "Fong, Pauline (TBS)" <pauline.fong@ontario.ca>
Cc: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Tue, 25 Oct 2016 12:11:21 -0400

Just to close the loop – Energy will take this question – OPCD input no longer needed.

From: Hosick, Sarah (TBS)
Sent: October-25-16 11:56 AM
To: Fong, Pauline (TBS)
Cc: Petsche, Nadine (TBS); Veinot, Cindy (TBS)
Subject: RE: RUSH MO Question: IESO Accounting Standards

Hi Pauline,

A follow-up question on this – IESO switched from US GAAP to PSAB, effective Jan 1st, 2011, which they indicate resulted in a change in how pension liabilities were calculated. Can we provide few high level lines about what that means? (or in the absence of the difference between the two standards, how pension liabilities are calculated under PSAB?)

Happy to discuss

Thanks
Sarah

From: Fong, Pauline (TBS)
Sent: October-25-16 11:04 AM
To: Hosick, Sarah (TBS)
Cc: Petsche, Nadine (TBS); Veinot, Cindy (TBS)
Subject: RE: RUSH MO Question: IESO Accounting Standards

Hi Sarah,

Here is my response below:

During the 2015-16 Public Accounts audit, the Auditor General (AG) raised issues regarding the Province's accounting treatment for pension assets related to jointly sponsored pension plans which challenged the accounting treatment followed by the Province for the past 14 years. The current AG's view is that the government does not have a legally enforceable right to unilaterally access the assets of the pension plans which are jointly sponsored. Given the differences in interpretation of accounting standards, the Province filed a time-limited regulation which changed the accounting treatment for pension assets of OTPP and OPSEUPP for the 2015-16 Public Accounts.

The one-time regulation only applies to provincially jointly sponsored plans, and does not

apply to the pension liabilities reported by Independent Electricity System Operator.

Regards,

Pauline

From: Hosick, Sarah (TBS)
Sent: October-25-16 10:42 AM
To: Fong, Pauline (TBS)
Cc: Petsche, Nadine (TBS); Veinot, Cindy (TBS)
Subject: FW: RUSH MO Question: IESO Accounting Standards
Importance: High

Hi Pauline,

Rush MO Question on a change in accounting standards on the calculation of pension liabilities.. Can we provide in basic terms what the change was, and why it would affect the IESO?

Energy will also be providing a response, so ours can focus on the accounting practices piece.

Happy to discuss

Thanks
Sarah

From: Smith, Emilie (TBS)
Sent: October-25-16 10:35 AM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS)
Cc: Wesley, Jason (TBS); Cairns, Alan (TBS); Bigley, Jane (TBS)
Subject: RUSH MO Question: IESO Accounting Standards
Importance: High

Hi Sarah and Patrick,

We have a rush question from the Minister's Office this morning. There is has been some media and opposition attention on the IESO's reported loss of $80M due to a change in accounting standards. The story below and attached detail the story.

> **>Ontario<**'s energy minister says an $80 million actuarial loss reported by the Independent Electricity System Operator was due to a change in accounting practices on the calculation of pension liabilities.
>
> The IESO, which oversees **>Ontario<**'s electricity market, says the accounting changes were implemented in 2011, and it recovers the loss by increasing fees for its accumulated **>deficit<** by up to $5 million a year.

The Minister is asking for very basic lines to talk about the accounting in the instance she needs to answer a supplementary in Question Period today. We have also reached out to Energy as well for messaging. I apologize for the rush on this.

Many thanks,
Emilie

IESO reports $80M loss from accounting change (Canadian Press)

- * **Section** : News/Ontario
- * **Ad Value** : $35
- * **Tone** : **Neutral**

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 IESO, which combined operations with the now-defunct Ontario Power Authority in January 2015, had an accumulated deficit of $74 million and a net debt of $184 million, with revenues of $187 million.

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By The Canadian Press

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Emilie Smith
Senior Corporate Issues Management Analyst
Communications Branch, Treasury Board Secretariat
(o) 416-327-2434
(c) 647-401-6732
(e) Emilie.Smith@ontario.ca