

Message

Sent: 2017-09-12 10:03:08 AM
To: LAURETA LAPIRA May -TREASURY [may.lapira@opg.com]
Subject: RE: EXTERNAL – Re: IESO accounting issue with LCs

May,

We have not heard back in a formal manner from KPMG and await.

In general if the IESO is to post a letter of credit:

- there is likely a need for a new/updated regulation to be made to accommodate such action;
- the IESO and OPG will need determine what L/C amount is reasonable with supportive data/analysis to qual/quant the amount;
- the annual costs to have the L/C would likely be scrutinized by stakeholders and externals – value for money etc;
- the IESO still needs to obtain KPMG's view on acctg impacts;
- we should consider if alternative instruments such as a letter of guarantee or others maybe be more cost effective than a letter of credit

As discussed last week:

- I suggested that OPG needs to revisit and determine on whether a) the true-up mechanism and/or b) the reserve account(s) mechanism could be utilized.....especially since these are both already built into the existing Fair Hydro act/regs.

Also, as mentioned, We also walk thru a verbal example of what occurs during the first 4 years and post 4 years on the CEA. I emphasised that the CEA (post – 4 years) was simply a pass-thru from LDCs to the Financing Entity and the IESO is just a servicer – so I raised that the IESO is not on the hook to OPG for any missed LDCs' amounts.

May did ask if the IESO could get Michel (KPMG) to give his view soon.... on whether the L/C is an acctg issue for the IESO (i.e. does the IESO have an issue due to the risk and rewards not being transferred)

We said we would connect with each other in due course.

Regards.

From: LAURETA LAPIRA May -TREASURY [mailto:may.lapira@opg.com]
Sent: September 11, 2017 4:28 PM
To: Anthony Martinello
Subject: RE: EXTERNAL – Re: IESO accounting issue with LCs

Hi Anthony – just wondering if you heard back from Michel on the accounting matter?

Per our discussion last week, OPG posting the LCs for non-rated LDCs when we don't have a business case as a commercial entity to provide the credit support will impact our ability to consolidate the Trust. Furthermore, this obligation will undermine the objective of having OPG ring fenced from the FHP activities and will also negatively impact OPG's credit ratings.

Without the IESO's support, we also expect the rating of the debt to be issued by the Trust to be negatively impacted. My understanding from our discussion last week is that the IESO will not suffer any similar impacts other than this potential issue to de-recognize?

From: Anthony Martinello [<mailto:Anthony.Martinello@ieso.ca>]
Sent: Friday, September 08, 2017 7:22 AM
To: LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>
Subject: RE: EXTERNAL – Re: IESO accounting issue with LCs

No problem. I am in meetings this morning. How does today in afternoon work – say 2:30pm?

Regards.

From: LAURETA LAPIRA May -TREASURY [<mailto:may.lapira@opg.com>]
Sent: September 07, 2017 11:40 PM
To: Anthony Martinello
Subject: RE: EXTERNAL – Re: IESO accounting issue with LCs

So sorry Anthony, I was in meetings all afternoon. Can I call tomorrow morning after 10:30?

From: Anthony Martinello [<mailto:Anthony.Martinello@ieso.ca>]
Sent: Thursday, September 07, 2017 12:14 PM
To: LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>
Subject: EXTERNAL – Re: IESO accounting issue with LCs

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May – please give me a quick call back 905-403-6944,... I have two additional points to discuss.

From: LAURETA LAPIRA May -TREASURY [<mailto:may.lapira@opg.com>]
Sent: September 07, 2017 8:45 AM
To: Anthony Martinello
Subject: RE: EXTERNAL – Re: IESO accounting issue with LCs

That's ok. I sent you an invite for 11 – talk then.

From: Anthony Martinello [<mailto:Anthony.Martinello@ieso.ca>]
Sent: Thursday, September 07, 2017 7:37 AM
To: LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>
Subject: EXTERNAL – Re: IESO accounting issue with LCs

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Fyi My 10am was booked overnight for another meeting.

Regards.

From: may.lapira@opg.com
Sent: September 6, 2017 5:35 PM
To: Anthony.Martinello@ieso.ca
Subject: Re: EXTERNAL – IESO accounting issue with LCs

Sounds good, talk to you then!

Sent with BlackBerry Work

(<https://na01.safelinks.protection.outlook.com/?url=www.blackberry.com&data=01%7C01%7CAnthony.martinello%40ieso.ca%7C4bed977e4b1143e3637608d4f56f316d%7C7cd55abd63f243c58f4bd38ea458add8%7C0&sdata=ZysjxOxdP01U3rB%2Fg6VVHQIIRP0CjskCoCkCw74RoQU%3D&reserved=0>)

From: Anthony Martinello <Anthony.Martinello@ieso.ca>

Sent: Sep 6, 2017 5:34 PM

To: LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>

Subject: EXTERNAL – IESO accounting issue with LCs

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Please call me @ 905-403-6944 at 10am or 11am tomorrow. Regards.

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

From: LAURETA LAPIRA May -TREASURY [<mailto:may.lapira@opg.com>]

Sent: September 06, 2017 4:52 PM

To: Anthony Martinello

Subject: FW: EXTERNAL – RE: IESO accounting issue with LCs

Hi Anthony - can I give you a call tomorrow morning to chat about the IESO's accounting position/issue with this? I just want to get an understanding of what the issue IESO is facing so we can move it ahead. Not sure if you're the right person but I thought I'd try you first given Kim is busy. I am available any time in the morning of Thursday, Sep 7th.

Thanks,
May

May Laureta Lapira, CPA, CA | Senior Manager, Treasury | Ontario Power Generation

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

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

Sent: Wednesday, September 06, 2017 7:36 AM

To: LAURETA LAPIRA May -TREASURY <may.lapira@opg.com>

Cc: LEE John -TREASURY <john.s.lee@opg.com>; Michael Boll <Michael.Boll@ieso.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>

Subject: EXTERNAL – RE: IESO accounting issue with LCs

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May, thanks for your email. Our view may be broader than accounting but happy to discuss. I am copying Michael Boll and Anthony Martinello to see if you can connect with the this week. My week is busy but could join a call early next week, thanks

Kimberly Marshall | VP, Corporate Services & CFO Independent Electricity System Operator (IESO) | T: (416) 969-6232 | C: (416) 545-7202

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Web:

<https://na01.safelinks.protection.outlook.com/?url=www.ieso.ca&data=02%7C01%7Cmay.lapira%40opg.com%7Ce824aab1b6e04a0523f508d4f51b6d2b%7C962f21cf93ea449f99bf402e2b2987b2%7C0%7C0%7C636402945523899758&sdata=WCRIE412tqSK7K6>

Corporate Services collaborates with you to deliver solutions and expertise that enable the IESO to achieve its goals.

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

From: LAURETA LAPIRA May -TREASURY [mailto:may.lapira@opg.com]

Sent: September 05, 2017 6:21 PM

To: Kim Marshall

Cc: LEE John -TREASURY

Subject: IESO accounting issue with LCs

Hi Kim,

John asked me to follow up on the potential accounting issue relating to the scenario where the IESO posts letters of credits for non-rated LDCs to address liquidity/credit risk. Is there someone in your team I can speak to so we can get an understanding of the potential issue? Pls let me know and I can arrange for a call with our auditors.

Thank you,
May Lapira

Sent with BlackBerry Work

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