

Memorandum

To: THE BOARD OF DIRECTORS
of the Independent Electricity System Operator

From: Jordan Penic
Senior Manager, Communications & Government Affairs

Date: April 11, 2017

Re: Communication Plan on Accounting Changes

Background

The IESO has made two changes to its accounting policies as of January 1, 2016: one to recognize certain costs as regulated assets and other to include market accounts on its financial statements.

The IESO determined that recognizing certain costs as regulated assets is consistent with the accounting policies of other regulated entities in North America, and including market accounts in its financial statements will increase transparency. The accounting change to recognize certain costs as regulated assets also facilitates the refinancing of the global adjustment (GA) under the government's Ontario Fair Hydro Plan by allowing the IESO to create a GA asset that will be sold to Ontario Power Generation.

The IESO disclosed the accounting changes in its 2016 Annual Report, which was published on April 3, 2017. As part of the disclosure, the IESO included mention of the previously unrecognized actuarial losses and past service costs of \$80,617,000.

Communications Approach

The IESO will take a reactive communications approach to the accounting changes disclosure since there does not appear to be any strategic advantage to proactively informing stakeholders, media or the general public, beyond the regular level of transparency provided through the release of an annual report. In taking this approach it is worth noting:

1. The accounting change disclosure includes reference to the previously unrecognized actuarial losses and past service costs of \$80,617,000. This amount gained unfavourable media attention in October, 2016 and was the subject of criticism from opposition parties

in the legislature. Although this accounting change does not impact ratepayers, countering negative perceptions is difficult due to the technical nature of accounting practices.

2. The accounting change to recognize certain costs as regulated assets enables the government's global adjustment refinancing plan. Although the connection is not made in the accounting change disclosure, and the accounting change is one the IESO would have made anyway, being associated with this high profile initiative may draw the IESO more into any discussion on this initiative.

Key messages and Q&As have been written and reviewed by the appropriate subject matter experts. This messaging will guide IESO responses to potential inquiries from interested parties.

Jordan Penic

Initials

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Cc: IESO Records