

Message

Sent: 2017-11-30 4:52:59 PM
To: LADAK Lubna -TREASURY [lubna.ladak@opg.com]; Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshall]
CC: LAURETA LAPIRA May -TREASURY [may.lapira@opg.com]
Subject: RE: EXTERNAL – IESO - Follow up question from PSAB group

Regards,

Jeannette Briggs Director, Settlements - Corporate Services
Independent Electricity System Operator (IESO) | T: 905-855-6364 | C: 416-997-6364
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Corporate Services collaborates with you to deliver solutions and expertise that enable the IESO to achieve its goals

From: LADAK Lubna -TREASURY [mailto:lubna.ladak@opg.com]
Sent: November 30, 2017 4:20 PM
To: Kim Marshall
Cc: Jeannette Briggs; LAURETA LAPIRA May -TREASURY
Subject: RE: EXTERNAL – IESO - Follow up question from PSAB group

Kim,
See my comments below.
Also, can you provide some context around who the person is that is asking these questions. Is there a department within the government that manages PSAB or is it a separate accounting body?

Lubna Ladak | VP Treasury - FHP | Ontario Power Generation
700 University Avenue, Toronto, Ontario M5G 1X6 | 416-592-5984 | Cell 416-578-0219 | Fax 416-592-4189
lubna.ladak@opg.com

From: Kim Marshall [mailto:Kim.Marshall@ieso.ca]
Sent: Thursday, November 30, 2017 2:22 PM
To: LADAK Lubna -TREASURY <lubna.ladak@opg.com>
Cc: Jeannette Briggs <jeannette.briggs@ieso.ca>
Subject: EXTERNAL – IESO - Follow up question from PSAB group

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Lubna, thanks for asserting right up front that these are OPG requirements. Based upon your response and jeannette's here is what I propose to send back. You can see I would like to add some detail re RPP and OPG accounting but am open to suggestion.

Would it be the IESO or would it be OPG that would ultimately go to the Ontario Energy Board to recover these costs?

As per the legislation, OPG as the **Financial Services Manager**, provides the clean energy adjustment recoverable for a specific period to the OEB who establishes the rate for specified consumers.

If it is the IESO, my understanding is the OFHPA creates the deferral and variance account that enables the IESO to recover costs from future rates. If it is OPG, would they already have a deferral and variance account to house these costs until it is recovered? Or does the legislation apply to OPG as well?

Parts of the legislation do apply to OPG. The IESO has the original right to recover from future rates. This creates the regulatory asset, like the fair hydro predecessor – RPP. The IESO previously held the RPP variance and provided the balance semi-annually to the OEB to support a rate setting process that permitted

For OFHP, the IESO's right to recover **the regulatory asset** and any obligations will be transferred to the financing entity (**Fair Hydro Trust**). ~~While the financing entity is better able to speak to their accounting than I am, my understanding is they will have a variance account which will be consolidated into OPG. Once OPG sets up the Fair Hydro Trust and purchases this asset from the IESO, OPG will consolidate the asset in its financial statements.~~

Lubna anything high level to add here? (See above. I wanted to highlight that we haven't set up the variance account yet, but we will once all the legal/regulatory requirements are in place.)

Finally, when it comes time to recover those costs, would it go through the OEB prudence review or is that not necessary as a result of the OFHPA legislation?

The OFHPA legislation covers the OEB oversight. **The OEB shall set rates (cents/kwh) at which specified consumers are to be invoiced based on the clean energy adjustment, forecast electricity consumption of specified consumers, and costs/fees charged by the Financial Services Manager (OPG). The Act specifies the types of costs and fees the Financial Services Manager can recover. If the OEB disagrees with a cost/fee that the Financial Services Manager has submitted, it can refuse to approve them as described in the legislation.**

Note to OPG – can we be more specific here? (see above)

Kimberly Marshall | VP, Corporate Services & CFO

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From: LADAK Lubna -TREASURY [<mailto:lubna.ladak@opg.com>]

Sent: November 29, 2017 12:22 PM

To: Kim Marshall

Cc: LAURETA LAPIRA May -TREASURY; RYFA Ken -TREASURY; WONG Leslie -LAWDIV

Subject: RE: EXTERNAL – Fwd: IESO - Follow up question

Kim,

I don't have all the context for the conversation with Umar Saeed of PSAB, but based on the email below:

- OPG would seek recovery of the costs, not the IESO
- I am not aware of any prudence review beyond the legislative requirements in the OFHPA.

Feel free to give me a call if you want to discuss further.

Lubna Ladak | VP Treasury - FHP | Ontario Power Generation

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lubna.ladak@opg.com

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

Sent: Tuesday, November 28, 2017 7:26 PM

To: LADAK Lubna -TREASURY <lubna.ladak@opg.com>

Subject: EXTERNAL – Fwd: IESO - Follow up question

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Lubna, can we pls talk about these tomorrow? What is your day like. We may need Some other OPG assistance, thx

Sent from my iPad

Begin forwarded message:

From: "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>

Date: November 28, 2017 at 1:30:19 PM EST

To: Kim Marshall <Kim.Marshall@ieso.ca>

Cc: "Hosick, Sarah (TBS)" <Sarah.Hosick@ontario.ca>, "Donaldson, Mark (TBS)" <Mark.Donaldson@ontario.ca>

Subject: FW: IESO - Follow up question

Hi Kim – can you take a first crack these questions?

From: Umar Saeed [<mailto:usaeed@psabcanada.ca>]

Sent: November 28, 2017 11:12 AM

To: Veinot, Cindy (TBS); Kim.Marshall@ieso.ca

Cc: Michael Puskaric

Subject: IESO - Follow up question

Dear Kim and Cindy,

We wanted to thank you again for your time the other day. I am going through my notes and I had a few questions for clarification.

I suspect these will be fairly straightforward for you to answer, but I also want to be respectful of your time and if they are too complicated – please let me know.

Would it be the IESO or would it be OPG that would ultimately go to the Ontario Energy Board to recover these costs?

If it is the IESO, my understanding is the OFHPA creates the deferral and variance account that enables the IESO to recover costs from future rates. If it is OPG, would they already have a

deferral and variance account to house these costs until it is recovered? Or does the legislation apply to OPG as well?

Finally, when it comes time to recover those costs, would it go through the OEB prudence review or is that not necessary as a result of the OFHPA legislation?

I want to ensure I am understanding the process for recovering costs through future rates and the role of the OEB, OFHPA accurately.

I know this is a busy time for both of you and your help is very much appreciated.

Sincerely,
Umar

Umar Saeed, MAcc, CPA, CA
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Public Sector Accounting Board / Conseil sur la comptabilité dans le secteur public
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