

Minutes of Meeting
of the Audit Committee
of the Independent Electricity System Operator

*February 28, 2017, 8:00 a.m.
16th Floor Boardroom, 120 Adelaide Street West, Toronto, Ontario*

Attendees

Bruce Campbell
Carole Workman (Chair)
Susanna Han
Tim O'Neill
Deborah Whale

Regrets

N/A

Members of Staff in Attendance

Kimberly Marshall	
John Rattray	Tabatha Bull (<i>portion of meeting</i>)
Susan Nicholson	Manju Singhal (<i>portion of meeting</i>)
Natalie Schaus (<i>portion of meeting</i>)	
Julia McNally (<i>portion of meeting</i>)	Michael Killeavy (<i>portion of meeting</i>)
Anthony Martinello (<i>portion of meeting</i>)	Luke Bond (<i>portion of meeting</i>)
Candice Trickey (<i>portion of meeting</i>)	
Lia Kosic(<i>portion of meeting</i>)	Nadeem Anwar (<i>portion of meeting</i>)
Terry Young (<i>portion of meeting</i>)	Jeannette Briggs (<i>portion of meeting</i>)
Katherine Sparkes (<i>portion of meeting</i>)	Michael Classens (<i>portion of meeting</i>)
Michael Boll (<i>portion of meeting</i>)	Julie Bedford (<i>portion of meeting</i>)
Nik Schruder (<i>portion of meeting</i>)	

Commented [RJ1]: Ask Natalie to confirm when she left

By Invitation

Matthew Betik and Michel Picard, KPMG
(*portion of meeting*)
Hank Van Bakel – ORTECH (*portion of meeting*) Nick Collard – ORTECH (*portion of meeting*)

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Minutes

Ms. Carole Workman chaired the meeting and Mr. John Rattray acted as Secretary.

Constitution of the Meeting

The Chair noted that due notice of the meeting had been given, a quorum of members of the Audit Committee ("Committee") were present, and that, accordingly, the meeting was duly and properly constituted.

Conflicts

The Chair enquired whether any Committee member had a conflict of interest to report. No conflict was reported.

Approval of the Proposed Agenda

The Chair reviewed the Agenda with the Committee, proposing an amendment such that agenda item four regarding accounting policy be considered prior to agenda item three, the review of the 2016 Audited Financial Statements, and that agenda item three would be an information item rather than a recommendation for approval to the Board. As amended the Agenda was found to be satisfactory. On motion duly made and seconded, the following resolution was unanimously carried,

BE IT RESOLVED THAT the Agenda of items for consideration at this meeting of the Committee as amended, is hereby approved.

Approval of Minutes

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The minutes of the December 6, 2016 Committee meeting had been provided to the members of the Committee for review prior to the meeting. On motion duly made and seconded, the following resolution was unanimously carried,

BE IT RESOLVED THAT the Minutes of the Meeting of the Audit Committee of the Independent Electricity System Operator held on December 6, 2016 are hereby approved.

Mr. Matt Betik and Mr. Michel Picard of KPMG joined the meeting.

2016 Audited Financial Statements

Accounting Principles

Ms. Kimberly Marshall described the review of accounting principles used by the Corporation for rate regulated assets/liabilities and Market Accounts. Messrs. Betik and Picard of the auditing firm KPMG described the evolution of accounting principles and summarized the accounting principles under a wide range of accounting standards, including the Public Sector Accounting Standards used by the Corporation. The Committee questioned Mr. Picard regarding impact of adopting revised accounting principles on prior financial statements, the accounting principles used by local distribution companies and other North American independent system operators, and the rationale for adopting revised accounting principles.

Management described the treatment of corporate and market accounting on market opening. The Committee discussed the increased transparency that would result from the adoption of revised accounting principles consistent with the approach taken by other independent system operators. The Committee questioned management and the auditors regarding implementation steps, and consultations with the Provincial Controller, the Auditor General and the Ministry of Energy. The Committee instructed management and the auditors to undertake further work and to report back to the Committee with a recommendation.

Mr. Michel Picard left the meeting.

2016 Audited Financial Statements

An Agenda Item Summary titled "Review of 2016 Audited Financial Statements" dated February 28, 2017; the "IESO Management Report" dated March 1, 2017; the draft "Independent Auditor's Report" from KPMG dated March 1, 2017; the 2016 Financial

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Statements titled "Independent Electricity System Operator Statements of Financial Positions Unaudited" with accompanying "Notes to Financial Statements"; the "Independent Electricity System Operator Audit Findings Report for the year ended December 31, 2016"; and the 2016 Management Representation Letter to KPMG LLP dated March 1, 2017 had been provided to the Committee for review prior to the meeting.

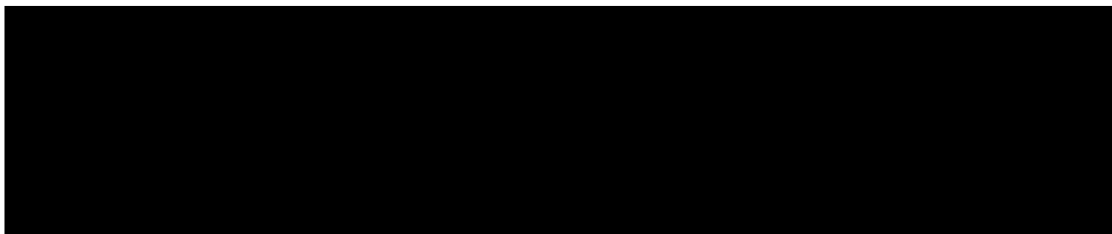
Mr. Betik reviewed highlights of the auditor's report titled "Independent Electricity System Operator Audit Findings Report for the year ended December 31, 2016". Mr. Betik summarized the remaining work to finalize the audit including any work to incorporate any change in accounting policy, and reviewed highlights of the report. Mr. Betik said that the audit results were clean with no adjustments or issues to report. The Committee questioned Mr. Betik on the materiality threshold and the independence of KPMG.

The Committee then met privately with Mr. Betik in the absence of Management and, upon their return, the Chair advised that there was nothing to be minuted. Management and the external auditor KPMG will finalize the 2016 financial statements and return to the Committee.

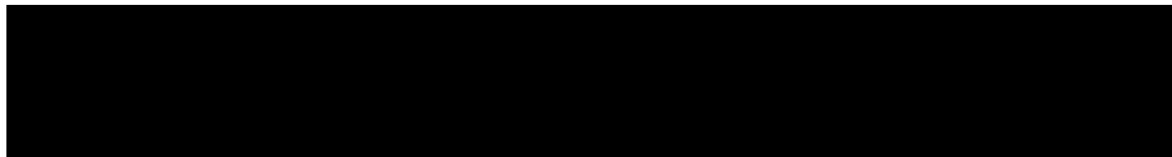
Mr. Matthew Betik left the meeting.

Ms. Jeannette Briggs, Ms. Lia Koscic, Mr. Anthony Martinello, Ms. Julia McNally, and Ms. Candice Trickey joined the meeting.

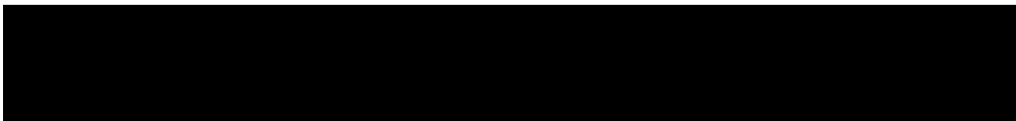
IESO Adjustment Account



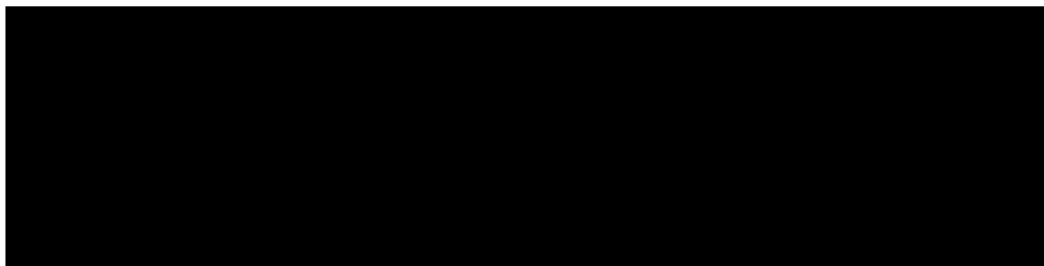
2016 Results vs. Budget



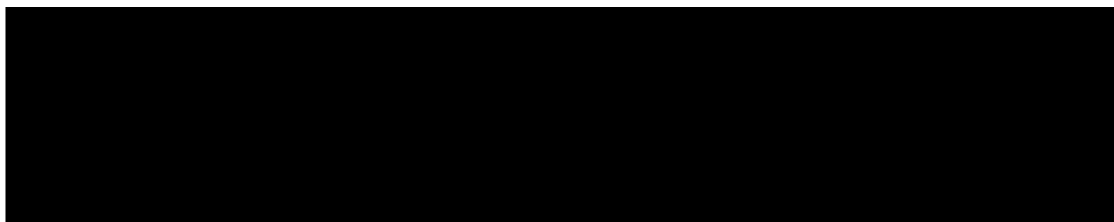
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Pension Management Committee Membership



Pension Asset Allocation Update



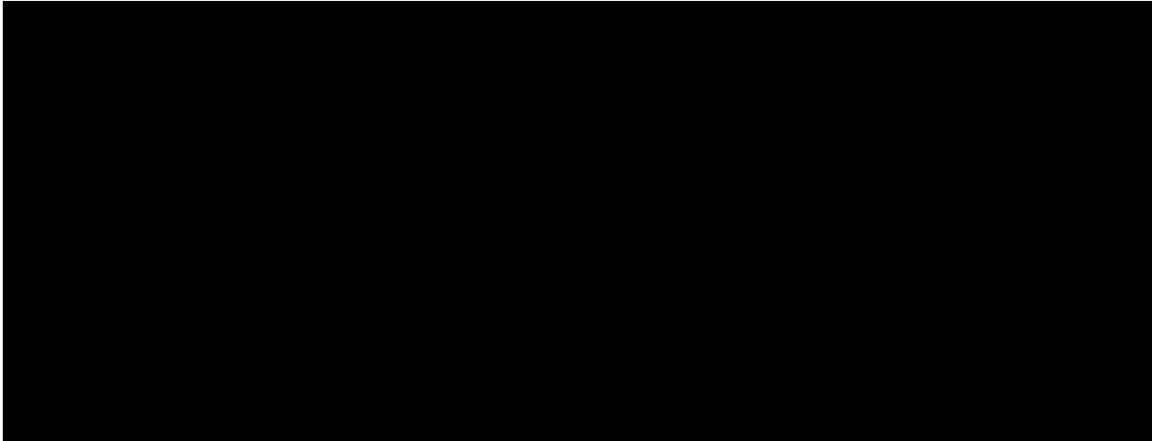
2017 Debt Renewal

An Agenda Item Summary titled “2017 Debt Renewal” and a memorandum titled “TD Bank and OEFC Debt Renewal”, both dated February 28, 2017 were provided to the Committee for review prior to the meeting. Mr. Martinello reviewed highlights of the material and responded to questions from the Committee regarding pricing, the minimum and maximum range of approval sought, and the need for flexibility regarding the facilities. Mr. Martinello advised that there was no obligation on the IESO to draw a minimum amount under any facility. Following discussion the Committee agreed to recommend to the Board for approval the renewal of the credit facilities as presented.

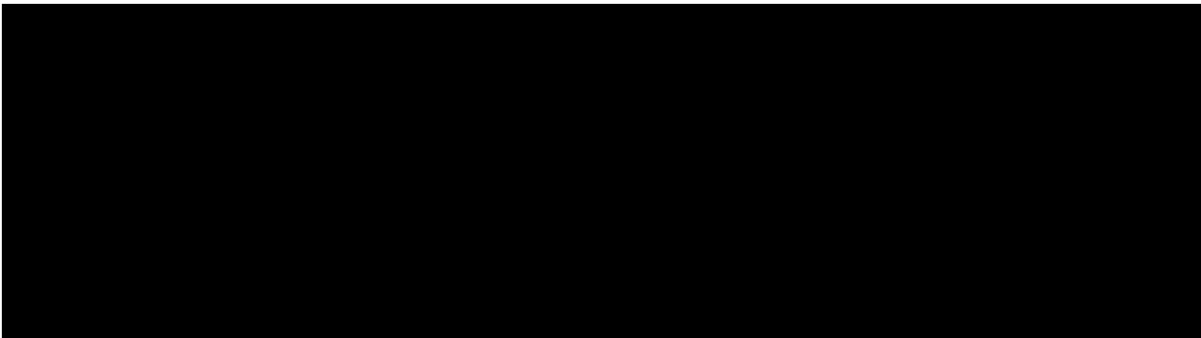
Mr. Terry Young, Mr. Michael Boll, Ms. Katherine Sparkes, and Mr. Nik Schruder joined the meeting.

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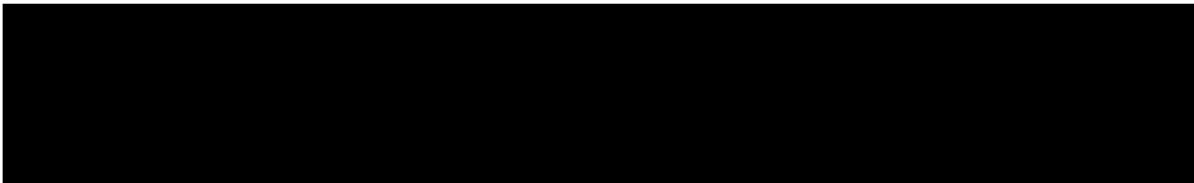
Funding of OEB Pricing Pilots



Real Time Generation Cost Guarantee (RTGCG) Update

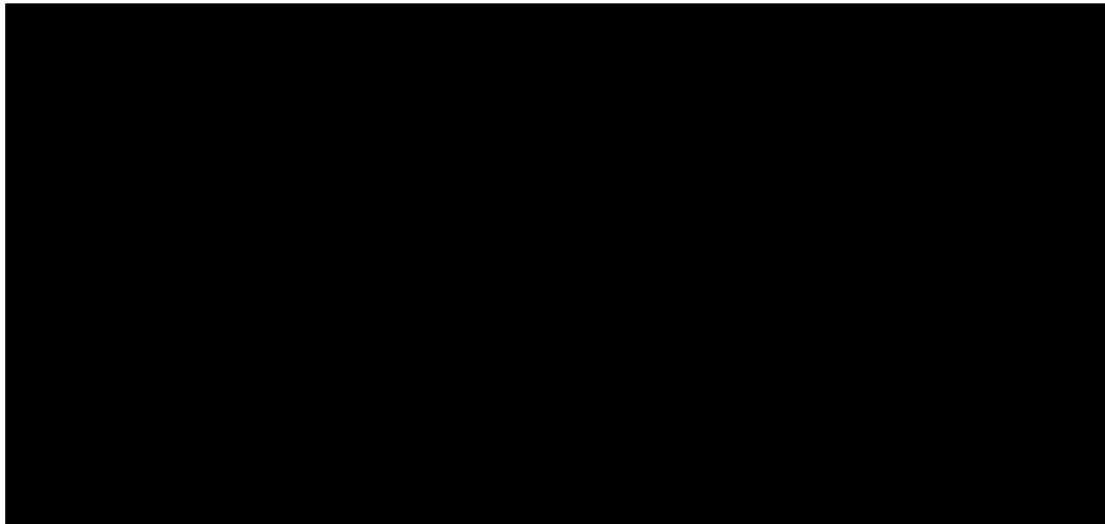


Conservation Semi-Annual Reporting Update

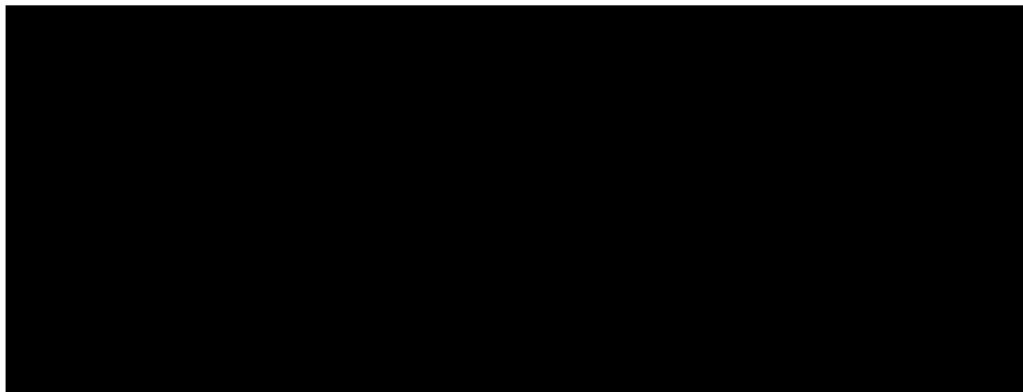


CDM Information Solution Update

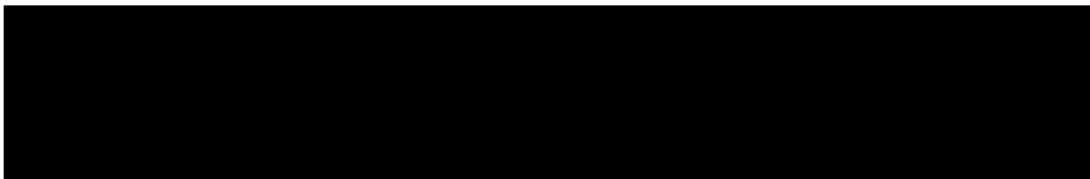
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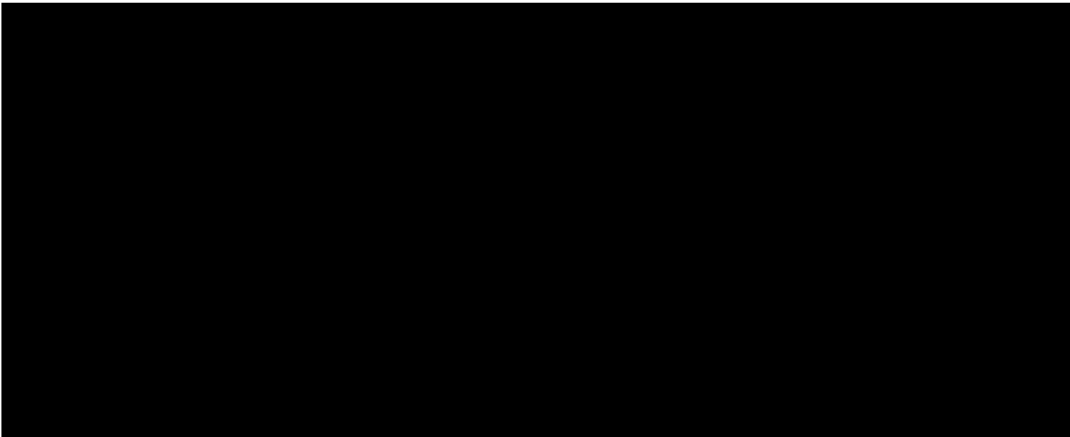
Community Energy Partnerships Program (CEPP)



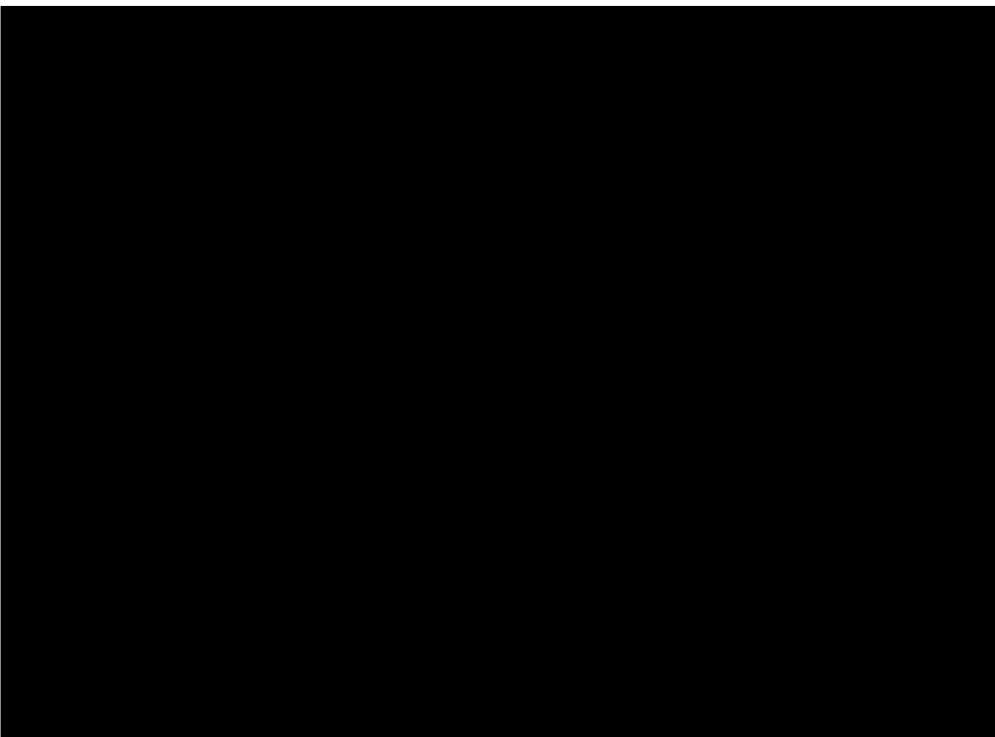
FIT Program Audit Reports (Contract Parameters and Domestic Content)



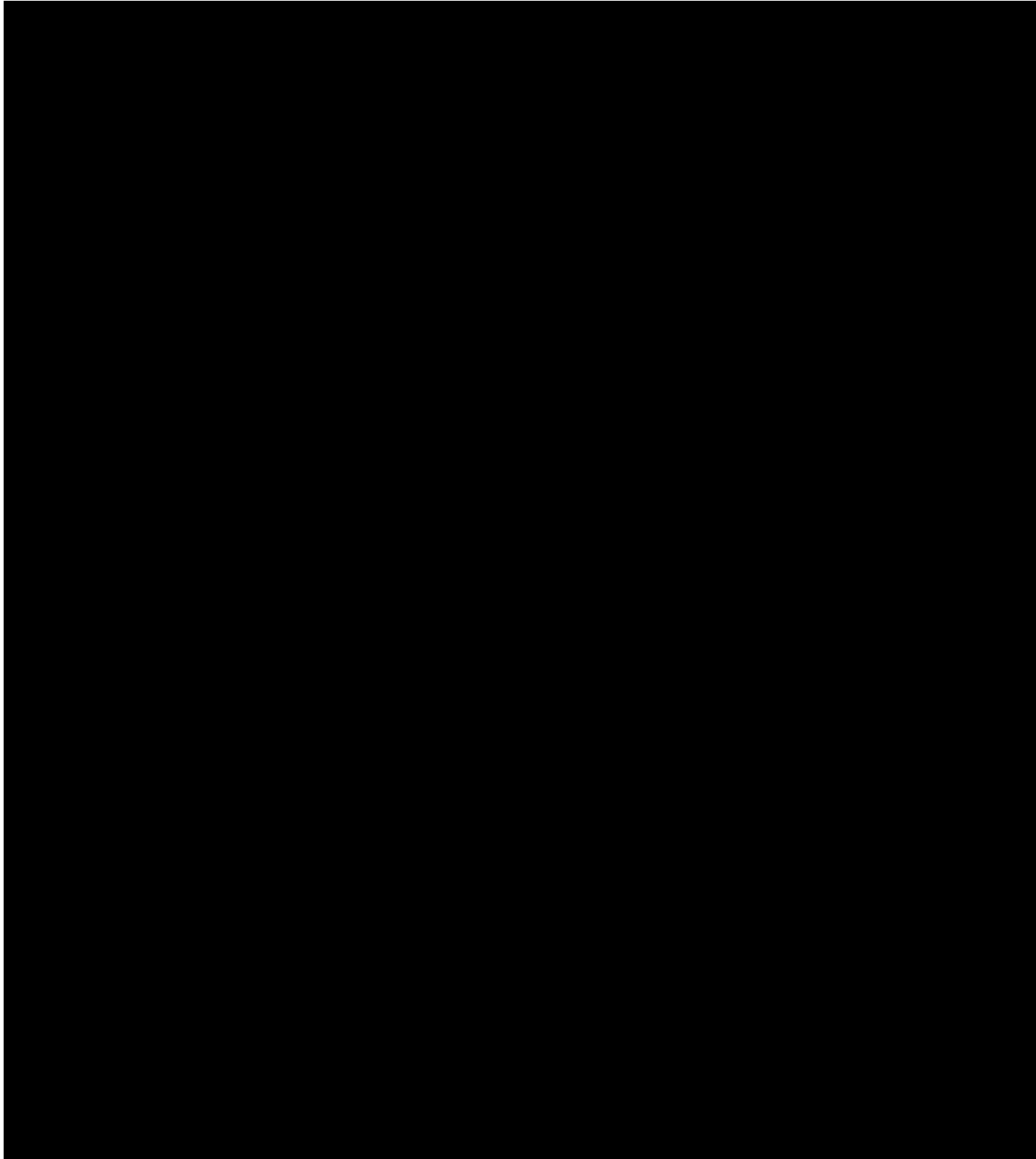
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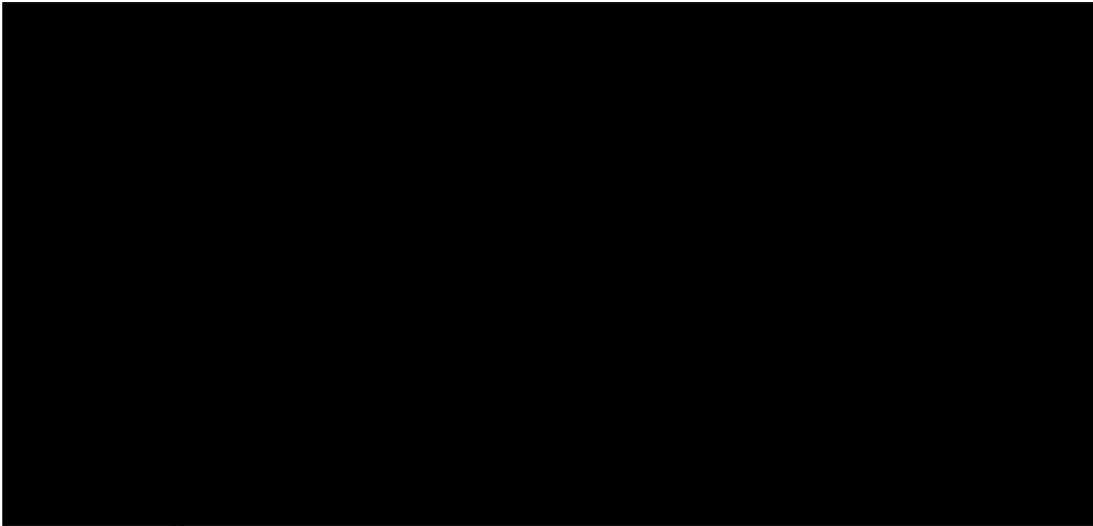
Internal Audit (IA) Update



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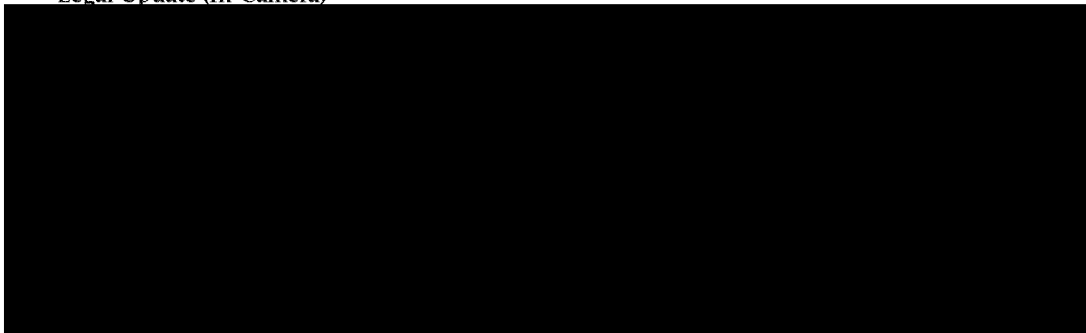
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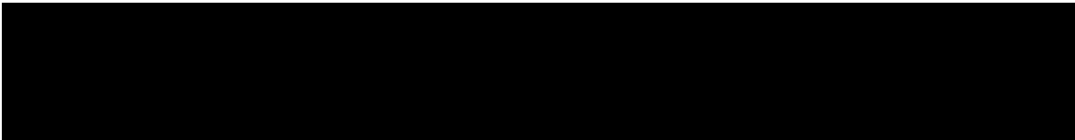
CFO Report

The “CFO Report to the Audit Committee” dated February 28, 2017, had been provided to the Committee in advance of the meeting for review. Ms. Marshall reviewed highlights of the report and responded to questions.

Legal Update (In-Camera)



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Other Business

There was no other business brought before the Committee.

Conclusion

There being no further business, the meeting was concluded.

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Approved by the Committee on the 11th day of April 2017.

Chair

Secretary

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