

Message

From: Andrew Dow [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=DOWA]
Sent: 2017-03-14 5:02:30 PM
To: Jordan Penic [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Penic]; Mary Bernard [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Mary Bernard42a]
Subject: RE: Messages on \$80 million loss after accting change

Hi Jordan, Mary—

In addition, here are some key messages about the new accounting changes. When I mentioned this earlier I was thinking more for your sake, back pocket, in case you asked what our response would be. You may already be good to answer that, but in case this helps, here are some messages. Or in any event here are some messages to build off for when we do the KMs and Q&As.

- The IESO operates and settles the electricity wholesale market, where payments are constantly flowing to and from market participants, such as consumers and generators.
- After a review of its accounting practices, the IESO decided to include market accounts on its financial statements in an effort to increase transparency.
- The market accounts included on the IESO's financial statements reflect financial activities of the electricity market that the IESO is not party to but helps facilitate. As the market administrator, the IESO is best suited to report these financial activities.
- This accounting change has no impact on the accumulated deficit or revenues and expenses of the IESO.

Andrew

Andrew Dow | Analyst, Government Affairs and Issues Management
Independent Electricity System Operator (IESO) | T: (416) 506-2827

From: Mary Bernard
Sent: March 14, 2017 4:57 PM
To: Jordan Penic; Andrew Dow
Subject: Messages on \$80 million loss after accting change

Here are the messages we sent to the ministry on Oct. 25 about the Keith Leslie story:

Key Messages:

- This has been in our publicly issued audited financial statements ever since the change and therefore part of our ongoing annual review by the OEB. Totally public throughout and simply a function of change in accounting rules from commercial Generally Accepted Accounting Principles to Canadian Public Sector Accounting Standards determined to be more relevant to the IESO.
- This item was always part of our balance sheet under GAAP, the former accounting principles. The difference in moving to the new accounting principles is that we were required to separate it out and show it separately in our statements.
- IESO fees have been reduced over the period.

Background:

Effective January 1, 2011, the IESO adopted Canadian public sector accounting standards with a transition date of January 1, 2010. The adoption of PSAB was accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, First-time Adoption by Government Organizations. The corresponding change to pension and other-post employment benefits resulted in previously unrecognized actuarial losses and past service costs of \$80,617 thousand at the date of transition being charged to the accumulated deficit.

The IESO includes a portion of the accumulated deficit resulting from the PSAB transition items in the annual proposed expenditures to the OEB for recovery through system fees.

Mary Bernard | Manager, Media Relations and Editorial Services

Independent Electricity System Operator (IESO) | T: (416) 969-6084

120 Adelaide Street West, Suite 1600, Toronto, ON M5H 1T1

Web: www.ieso.ca | Twitter: [IESO_Tweets](https://twitter.com/IESO_Tweets) | LinkedIn: [IESO](https://www.linkedin.com/company/ieso)

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