Message

From: Jordan Penic [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=PENICJ]
Sent: 2017-03-20 8:26:22 AM
To: Andrew Dow [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Dowa]; 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 Andrew,

I would call Susan and see if you can get a better understanding from her around both questions. I don't want to speculate/guess too much here.

-Jordan

From: Andrew Dow
Sent: March 19, 2017 5:56 PM
To: Jordan Penic; Mary Bernard
Subject: RE: Messages on $80 million loss after accting change

Hi Mary, Jordan—

I've got a strong grasp of the market account changes, but I never fully understood the $80M accounting change and hoping you can clarify. For example, why do we say the change resulted in "previously unrecognized actuarial losses and past service costs of $80M" when we're also saying this money has been accounted for all along but is just being reported differently? If it's not actually an additional loss or cost to the IESO this doesn't make it seem that way.

Also, our new explanation to appear in the AR talks about PSAB and SME "regulated assets", but the following sentence of ours explains the $80M as being related to pension and other post employment benefits: "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." Is this accurate or should it also include mention of the SME costs? I'm not clear on how the pension/post employment benefits, PSAB and SME costs fit together.

I can ask Susan Nicholas about this but wanted to check with you two first in case I'm the only one who's not clear on this.

Thanks!
Andrew

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From: Jordan Penic
Sent: March 14, 2017 5:03 PM
To: Andrew Dow; Mary Bernard
Subject: RE: Messages on $80 million loss after accting change

Thanks to both of you.

From: Andrew Dow
Sent: March 14, 2017 5:03 PM
To: Jordan Penic; Mary Bernard
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 your 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

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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.

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