Message

From: Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]
Sent: 2017-02-16 7:49:09 PM
To: Petsche, Nadine (TBS) [Nadine.Petsche@ontario.ca]
CC: Kim Marshall [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=b63a22b42bf14587870d93119a054d88-Kim Marshal]
Subject: Re: Importance of setting up regulatory accounting in 2016

This is not consistent with my understanding. Will need an accounting opinion whic may not be delivered until legislation is drafted.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Petsche, Nadine (TBS)
Sent: Thursday, February 16, 2017 7:45 PM
To: Veinot, Cindy (TBS)
Cc: Kim Marshall (Kim.Marshall@ieso.ca)
Subject: RE: Importance of setting up regulatory accounting in 2016

Cindy,
To confirm...the preference would be to have the market books consolidated in the IESO's 2016 f/s. Since the RR asset related to the rate stabilization proposal would not be reflected on the 2016 books (only a proposed transaction), an accounting opinion does not appear feasible. My understanding is that a position paper is the anticipated deliverable (as noted below).
Please advise if this is consistent with your understanding/expectations. Thanks.
N
----Original Message-----
From: Veinot, Cindy (TBS)
Sent: February-16-17 6:37 PM
To: Petsche, Nadine (TBS)
Cc: Kim Marshall (Kim.Marshall@ieso.ca)
Subject: RE: Importance of setting up regulatory accounting in 2016

If we believe that recording the market books is the appropriate accounting, I think that needs to be reflected in the 2016 f/s.

Based on the complexity of the transaction, a clean audit opinion is not sufficient from my perspective re: recognition and de-recognition of the regulatory assets. I would accept a clean opinion on the IESO f/s with the market books included as sufficient evidence.

Happy to discuss,

Cindy

-----Original Message-----
From: Petsche, Nadine (TBS)
Sent: February-16-17 6:28 PM
To: Veinot, Cindy (TBS)
Cc: Kim Marshall (Kim.Marshall@ieso.ca)
Subject: RE: Importance of setting up regulatory accounting in 2016

Cindy,
Further to the debrief provided earlier today, the following are additional details from my conversation with Kim and Michel as related to the following 4 components under consideration:
1. consolidate market books
2. adopt RRA under GAAP hierarchy on IESO's books 3. recognize RR Asset on IESO books (for rate stabilization deferral) 4. de-recognize RR Asset from IESO books (sale to OPG, including transfer of control/risks)

Details:
1. Market books: timing challenges based on current schedule for F/S finalization as market books have not yet been audited; however, may be feasible for 2017/18.
2. IESO to reflect rate regulated accounting on 2016 audited f/s -- KPMG agrees with proposed accounting treatment, and IESO management awaiting final direction to proceed with preparing alternative f/s reflecting rate regulated accounting. (KPMG planning to provide position paper, but would not constitute an accounting opinion. That said, a clean audit opinion would provide evidence of support for rate regulated accounting under PSAB based on the GAAP hierarchy.)

Rate Stabilization:
3. Recognize RR Asset: KPMG position paper to be developed (in absence of fact pattern, cannot be an accounting opinion) 4. De-recognize RR Asset from IESO books -- KPMG position paper to be developed (to address what sale agreement with OPG would have to include to transfer risks and rewards of ownership). Since transaction is 'proposed', no accounting opinion is possible.

Hope this helps to provide additional context on our earlier discussion.
Nadine

-----Original Message-----
From: Veinot, Cindy (TBS)
Sent: February-16-17 6:13 PM
To: Kim Marshall
Cc: Petsche, Nadine (TBS)
Subject: RE: Importance of setting up regulatory accounting in 2016

Kim -- I had a conversation with Michel after the meeting. He clarified that he is not planning to issue accounting opinions tomorrow, but rather position papers. That is not what I heard him say in the FPC meeting and I've spoken to a few others who heard the same as I did, so I'll send a clarification message to Steve Orsini.

From my perspective we need accounting opinions, not position papers.

Cindy

-----Original Message-----
From: Kim Marshall [mailto:Kim.Marshall@ieso.ca]
Sent: February-16-17 1:42 PM
To: Veinot, Cindy (TBS)
Subject: RE: Importance of setting up regulatory accounting in 2016

yes

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-----Original Message-----
From: Veinot, Cindy (TBS) [mailto:Cindy.Veinot@ontario.ca]
Sent: February 16, 2017 9:05 AM
To: Kim Marshall
Subject: RE: Importance of setting up regulatory accounting in 2016

Hi Kim -- I will take a read through the paper, but just wanted to confirm that KPMG is tracking to providing a writing accounting opinion on this issue (vs. a whitepaper).

Thanks,

-----Original Message-----
From: Kim Marshall [mailto:Kim.Marshall@ieso.ca]
Sent: February-16-17 8:06 AM
To: Picard, Michel; Veinot, Cindy (TBS); Petsche, Nadine (TBS)
Subject: RE: Importance of setting up regulatory accounting in 2016

Attached is an updated paper from the KPMG audit partner on IESO. In Matt's own words he has : added additional insights around the components of assets/liabilities, recognizing the differing views and significantly updated the conclusions to indicate that multiple conclusions could be reached. Happy to revisit as needed.

Matt and I have had a conversation about potential impacts and what we should say to the IESO board and when. So happy to discuss next steps.

E&Y will deliver an updated memo by tomorrow.

Michel, when can we have the other KPMG memo?

Should we have a conf call at some point today before the 4pm meeting, although Cindy maybe you are not at the 4pm meeting?

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-----Original Message-----
From: Picard, Michel [mailto:mpicard@kpmg.ca]
Sent: February 15, 2017 8:22 PM
To: Cindy.Veinot@ontario.ca; Nadine Petsche; Kim Marshall
Subject: Importance of setting up regulatory accounting in 2016

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Ladies,

I believe it is important for IESO to recognize the economic impacts of rate regulation in 2016 under PSAB. Assuming that the AG rejects it under PSAB, then it will require IESO to move to option b) ie. to create a GBE in 2017 to execute the contemplated transaction. As you will remember, IFRS 14 requires IESO to have recognized regulatory balances in its prior year FS. This would be an easier sale than the market books.

Regards,

Michel

Sent from my iPhone