

Message

From: Natalie Schaus [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=58BB43F7D031480696CE362CF240759C-NATALIE SCH]
Sent: 2018-04-12 8:29:31 AM
To: Susan Nicholson [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=f668e601bd2b4865a5c31dca531047c8-Susan Nicho]
CC: Anu Ghuman [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=46cd52a7c07a498eb325b44c5d015ce1-Anu Ghuman]
Subject: RE: Revenue Requirement submission - 2018 evidence

Hi Susan, would you suggest that Anu include this note again this year?

Anu, also if you do include it I would suggest that you refer to the 2017 annual report vs 2016.

Regards, Natalie

From: Anu Ghuman
Sent: April 11, 2018 2:17 PM
To: Natalie Schaus
Subject: Revenue Requirement submission - 2018 evidence

Hi Natalie,

This is regarding the revenue requirement submission that we do the OEB after the business plan is approved by the ministry. For the 2017 submission, we had a few paragraphs in the attached schedule for accounting changes that happened during the year. I've pasted the section below for your reference. Is there anything that we would need to include in our 2018 filing for accounting policy changes? I will be at Clarkson tomorrow if you'd like to discuss.

Thanks,
Anu

Accounting Change

The IESO has made changes to its accounting policies to increase transparency and to report certain costs as regulated assets, consistent with the accounting policies of other regulated entities in North America. These changes are reflected in Note 3 on page 13 of the IESO's 2016 Annual Report, which is filed as Exhibit A-3-1. The changes include the recognition of rate regulated assets as well as the recognition of market accounts assets and liabilities on the statement of financial positions.

The IESO operates and settles the electricity market, where sums of money are constantly flowing to and from market participants, such as consumers and generators. The IESO is not party to these market transactions but facilitates them, which requires it to temporarily hold and move funds. These financial transactions in no way impact the IESO's accumulated deficit or revenues and expenses. After a review of its accounting practices, the

IESO decided to include year-end market account balances on its financial statements in an effort to increase transparency.

Additionally, the IESO has changed its accounting policy to report certain costs as regulated assets, specifically unrecovered smart metering expenses and unrecovered PSAB transition items, to be consistent with the accounting policies of other regulated entities in North America. These are costs that are being recovered through Board-approved fees and it is common practice among regulated entities to treat such costs as regulatory assets for accounting purposes. It is important to note that no matter which way the IESO reports these costs, the cost and the impact on ratepayers does not change. These costs have been in the IESO's publicly issued audited financial statements for years and the decision to move to the new accounting policy was made to better reflect the nature of these costs. The reporting of these costs has always been public and the new reporting is simply a function of change in accounting policy.