Message

From: Susan Nicholson [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=F668E601BD2B4865A5C31DCA531047C8-SUSAN NICHO]
Sent: 2017-07-06 10:17:58 AM
To: Jeannette Briggs [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=148095610f7242f48a5a9da24b1a8a87-Jeannette B]
Subject: RE: Discussion on IESO/OPG accounting impacts

I am in my office 905-855-6290

From: Jeannette Briggs
Sent: July 06, 2017 10:16 AM
To: Susan Nicholson
Subject: RE: Discussion on IESO/OPG accounting impacts

Where are you? I have to call by my cell ([redacted] as I am offsite.

Regards,

Jeannette Briggs Director, Settlements - Corporate Services
Independent Electricity System Operator (IESO)| T: 905-855-6364 | C: 416-997-6364
Station A, Box 4474, Toronto, ON, M5W 4E5
Web: www.ieso.ca | Twitter: IESO_Tweets | LinkedIn: IESO
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From: Susan Nicholson
Sent: July 06, 2017 10:13 AM
To: Jeannette Briggs
Subject: RE: Discussion on IESO/OPG accounting impacts

Sure, happy to discuss when you have a second.

From: Jeannette Briggs
Sent: July 06, 2017 10:10 AM
To: Susan Nicholson
Subject: FW: Discussion on IESO/OPG accounting impacts
Importance: High

Do you have a better understanding of the KPMG interest value to be "booked" as an asset/liability? See below my concerns and draft solution if we need to ensure rate payers connection to the interest. I am struggling to understand what is missing from the deferred amount (principle plus all costs related to financing including interest paid by Trust to investor during the moratorium) that will be reflected in the variance account transfer to the regulated asset and again transferred to the Trust. What is it we need to recognize in your opinion?

Regards,

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From: Jeannette Briggs
Sent: July 06, 2017 8:26 AM
To: Anthony Martinello; Michael Boll
Subject: RE: Discussion on IESO/OPG accounting impacts
Importance: High

Can we set up a meeting to discuss the present value of the interest "booking" or at least have a quick call. I am concerned that Michel has "missed" that the Trust will be paying for the interest in real-time during the moratorium on behalf of rate payers, requesting refund on a monthly basis from the IESO which we will put into the variance account to form the regulated asset transferred to Trust for the investment asset. I know KPMG keeps saying this is an "accounting issue" but how? And what asset/liability is not being recognized?

If we need to separate out the interest portion from OPG Financing Entity Amount submitted monthly, we can but need to make that call today (finalizing the form tomorrow although maybe some flexibility to change in future but need a month to implement and testing any changes). If we charge GA for this portion of costs related to interest and distribute to eligible OFHPA consumers and LDCs include it as a portion not paid, this is how we move the interest portion into the variance as a separate item. We know OPG has to estimate the Financing Plan six month forward so we can get an estimated interest/KWh for LDCs to use for RPP and non-RPP by KWh to submit to us and it should match what OPG requests. But maybe the KPMG interest is something different than what is being paid today due to the time value of money rate payers will be paying 4 years from now that KPMG wants to recognize? I just cannot reconcile what is needed. Below is how we could take interest paid by the Trust and distribute it to LDCs as portion of consumption for eligible OFHP consumers and then move it into the variance account. However, this works too if interest values are different i.e. Financing for OFHP in real-time is one number, and the present value of interest payable in four years needs to be recognized (represented as WW below):

Financing Entity Amount Form Request
Financing for OFHP (Interest Paid) XX
All other costs YY

GA – New Amount Added To Balance
Financing for OFHP XX (WW)
Distributed to only Eligible OFHP Participants through a Manual Line

LDCs Form Request
OFHP RPP (17%)
Financing for OFHP XX (WW)

LDC Invoice Includes New Charge Type Which is Recoverable During Moratorium Period by Submitting on the Form Request
OFHP Eligible RPP and Non – RPP Consumer Discount Settlement Amount ZZ
Financing for OFHP XX (WW)

Variance Account Includes Which Becomes Regulatory Asset
Financing for OFHP XX (+WW)
All other costs YY
OFHP Eligible RPP and Non – RPP Consumer Discount Settlement Amount ZZ

Regards,

Jeannette Briggs Director, Settlements - Corporate Services
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From: Anthony Martinello
Sent: July 05, 2017 12:50 PM
To: Jeannette Briggs
Subject: FW: Discussion on IESO/OPG accounting impacts

fyi

From: Peter Hamilton [mailto:PHamilton@stikeman.com]
Sent: July 05, 2017 11:54 AM
To: Michael Boll; Kim Marshall; Anthony Martinello; Susan Nicholson; Glenn Zacher; 'Picard, Michel'; Kelly, Gale M
Subject: RE: Discussion on IESO/OPG accounting impacts

(resending, reply to this email)

I would put some of these issues somewhat differently:

With respect to issue 2. (the booking of an offsetting asset), I think that you need to know (i) whether a liability needs to be booked (ii) if an offsetting asset can be booked, is that off-setting asset a regulatory asset and (iii) assuming that the answers to (i0 and (ii) are yes, is that result acceptable given the full line by line consolidation of the IESO into the Province. Given that the IESO will have a full right of recovery from the rate base, I do not understand how any asset would not fully off-set the liability

With respect to issue 3 (de-recognition), I think that the issue comes in two parts. The first is whether the ongoing obligations to pay results in non-recognition of any kind,
With the result that the entire "Regulatory Asset" remains on the books of the IESO. Hopefully this result is unlikely, but the risk presumably increases as the extent of the continuing obligations grows. The second issue is whether the

continuing obligations ought to be reflected as a reserve against the purchase price received rather than a separate obligation, and whether such a reserve produces a "better" result than booking a liability.

Peter Hamilton
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From: JORDA Jenny -FIN & C CTRL [mailto:jenny.jorda@opg.com]
Sent: Wednesday, June 28, 2017 5:58 PM
To: 'Michael Boll'; 'Kim Marshall'; 'Anthony Martinello'; 'Susan Nicholson'; 'Tracy Brennan'; Laney Doyle; 'Brittany Keenan'; WONG Leslie -LAWDIV; MAUTI John -FIN & C CTRL; Peter Hamilton; Glenn Zacher; VISWANATHAN Suneethi -FIN & C CTRL; 'Picard, Michel'; GO Matthew -TREASURY; PRESTON Stuart -TREASURY; 'Veinot, Cindy (TBS)'; Calwell, Carolyn (ENERGY/MEDEI/MRI)
Cc: Kelly, Gale M; JACKSON, ADAM; Christie, Tim (ENERGY)
Subject: RE: Discussion on IESO/OPG accounting impacts

Hi All – see below for action items from today's meeting. Please let me know if I missed anything.

Item	Action Item	Responsibility

Assumptions:

Four year moratorium exists where ratepayers will not pay interest during the first 4 years
IESO will be contractually obligated to pay the Trust interest expense/fees/other during the first 4 years

1	IESO to complete consolidation analysis of Trust including determining whether the IESO being required to backstop any non purchases of deferrals by the Trust (i.e. failure to roll paper) would impact consolidation	IESO/KPMG
2	IESO to determine whether current wording in the Regulations allows for the recording of an asset to **fully** offset the financial liability (which will consist of the present value of 4 years of interest)	IESO/KPMG
3	IESO to confirm whether full amount of regulatory asset can be de-recognized upon sale to the Trust considering there are still obligations ongoing to pay Trust interest/fees, etc.	IESO/KPMG

4	OPG to assess impacts of not being able to record interest revenue to offset interest expense	OPG/EY
5	Determine whether there are possibilities of having the ratepayers pay the 'interest' component through a possible redefinition of 'clean energy adjustment' or include as part of 'global adjustment' or liaise with Bill Presentment Committee on alternatives	Province Counsel

-----Original Appointment-----
From: JORDA Jenny -FIN & C CTRL
Sent: Wednesday, June 21, 2017 4:04 PM
To: JORDA Jenny -FIN & C CTRL; 'Michael Boll'; 'Kim Marshall'; 'Anthony Martinello'; 'Susan Nicholson'; 'Tracy Brennan'; Laney Doyle; 'Brittany Keenan'; WONG Leslie -LAWDIV; MAUTI John -FIN & C CTRL; 'phamilton@stikeman.com'; 'gzacher@stikeman.com'; VISWANATHAN Suneethi -FIN & C CTRL; 'Picard, Michel'; GO Matthew -TREASURY; PRESTON Stuart -TREASURY; 'Veinot, Cindy (TBS)'; Calwell, Carolyn (ENERGY/MEDEI/MRI)
Cc: Kelly, Gale M; JACKSON, ADAM; Christie, Tim (ENERGY)
Subject: Discussion on IESO/OPG accounting impacts
When: Wednesday, June 28, 2017 2:00 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: EY Tower - 100 Adelaide Street West - Meet 31st floor reception/[redacted]

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