Message

From: Terry Young [/O=IMO/OU=MSX1/CN=RECIPIENTS/CN=TERRY YOUNG]
Sent: 2017-01-18 5:44:31 PM
To: Kaili Sermat-Harding (Kaili.Sermat-Harding@ontario.ca) [Kaili.Sermat-Harding@ontario.ca]
Subject: RE: Update on Conservation Amortization

Still waiting on it. Sorry.

Terry

From: Terry Young
Sent: January 18, 2017 11:32 AM
To: Kaili Sermat-Harding (Kaili.Sermat-Harding@ontario.ca)
Cc: Phil Bosco; Nik Schruder
Subject: Update on Conservation Amortization

Phil had a lengthy conversation with E&Y last night.

They are still waiting for Senior Management sign-off of the letter but they provided additional details on their approach and had time carved out this morning to have their SME on the matter do a final review.

In addition to what is described below, they are developing an argument that the energy savings acquired through the incentive payments is equivalent to a Regulatory Asset. Similar treatment is applied to OPG and the LDCs for many of their activities. The letter will discuss what type of asset to classify it as, financial or non-financial. They will propose it be designated a non-financial asset, similar to pre-paid expenses, and show up on the IESO's financial statement as such in accordance with Public Sector Accounting Standards (PS 1000).

1.4 Assets PS 1000	Assets have three essential characteristics: a) they embody a future benefit that involves a capacity, singly or in combination with other assets, to provide future net cash flows, or to provide goods and services; b) the reporting entity can control access to the benefit; and c) the transaction or event giving rise to the reporting entity's control of the benefit has already occurred.

3.3 Non-financial assets	
3.3.1 Definition PS 1000 PS 1201	Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead: a) are normally employed to deliver government services; b) may be consumed in the normal course of operations; and c) are not for sale in the normal course of operations. The statement of financial position should report non-financial assets segregated by main classifications, such as: a) tangible capital assets; b) inventories held for consumption or use; and c) prepaid expenses

This, in combination with governing objects (electricity act, OEB License, and directives), should allow us to amortize conservation incentive costs if we want to go that route.

I will send what we receive later today.

Terry