Message

From: Jeannette Briggs [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=148095610F7242F48A5A9DA24B1A8A87-JEANNETTE B]
Sent: 2018-09-28 6:26:39 AM
To: Lia Kosic [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=73708c51cf2349cfb6fb2106d496b3ab-Lia Kosic]
Subject: Re: Latest Draft of Risk Analysis

I am in watching the Ryder Cup so ignore the time.

I had a response for the group on the write-off but then the announcement came out I thought it was no longer needed. Michael and I had already discussed my response which is embedded in his response.

But I wonder if we should go back to accounting basics. Typically we write off non collectables - we would have a receivable but decide it is no longer reasonable recoverable and therefore should be removed from the balance sheet. We have an “asset” due regulatory accounting. If we remove it as bad what happens - the IESO sustains a loss of $1.3 B and we still have liability to pay OFA. We do not have a Market income statement per se as we are an Administrators, net neutral and not counter party to any Market transaction as per Market Rules. If we consolidated the Market balances into our Corporate books like this year, it would be a loss to the Government for the year. Issue is how does OFA get paid?

We are counter party to contacts. The IESO is given recovery provision in O Reg 429/04 through GA. I have asked Michael if there is provisions in the contracts to underpay if GA recovery is insufficient to pay. I suspect there is none.

In the past we would not have the asset just either a liability from borrowing to be paid down through future rates or an asset in trust to use in the future when rate were set lower. The OEB Act section 78 and 79 directs the OEB to set rates for RPP to recover any variance (positive or negative) through annual rate setting. This is still in the Act.

The Market and GA is not “typical” accounting for we have always been legislative and regulated our direction with no real access to outcomes.

It is an interesting question one I think either the Government or the OEB needs to weigh into for us as we have little authority and decision autonomy here.

Jeannette Briggs, Director Settlements IESO
416 997-6364

On Sep 27, 2018, at 10:56 PM, Lia Kosic <Lia.Kosic@ieso.ca> wrote:

> Thank you all for your time and attention in support of developing this analysis, it is really appreciated.
>
> I have made minor formatting changes to Alexander's previous draft, with no impact to the content (see attached).
>
> I have sent it to Barb for early feedback in advance of her meeting with her direct reports on this issue tomorrow at 11am.
>
> My expectation is that this meeting may result in further follow up questions and/or edits.
>
> Barb is also meeting with Peter tomorrow afternoon to review this memo, in preparation for next week's Board call.

I will update you as we continue with the process.

Thank you,

Lia

From: Alexander DeAngelis
Sent: September 27, 2018 9:06 PM
To: Michael Boll; Jordan Penic; Anthony Martinello; Anthy Lovachis; Jeannette Briggs
Cc: Lia Kosic
Subject: Latest Draft of Risk Analysis
Importance: High

All,

I have gone through all the edits and comments and consolidated the version attached in this message. With that said, there were areas of the document that had multiple edits from different individuals. I used an objective view to apply the edits. You are all welcome to review this final draft in case further comment is required.

The following items have not been addressed in the document:

1. <!--[if !supportLists]--><!--[endif]-->Given the risk, should the AGO not be considered as an option for the IESO's auditor moving forward? Isn't there an alternative view about the potential benefits of using the AG as an auditor? Anthony, can you comment on this and indicate any wording you would include in the document if required?

2. <!--[if !supportLists]--><!--[endif]--> Michael has provided a response regarding the indemnities, however, we have not included any information regarding the potential for needing to write off the debt in the document. Lia / Michael / Anthony, please provide any necessary updates to the document if required.

Thank you,

Alexander

<OFHP_Analysis.docx>