Message

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Sent: 25/02/2017 1:54:07 PM
To: MAUTI John -FIN & C CTRL [/O=OH/OU=Toronto/cn=Recipients/cn=932974]; GINTHER Chris -CAO [/O=OH/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=214700]
CC: CHENG Alec -FIN & C CTRL [/O=OH/OU=Toronto/cn=Recipients/cn=206590]; MAUTI John -FIN & C CTRL [/O=OH/OU=Toronto/cn=Recipients/cn=932974]
Subject: Re: EXTERNAL – New thinking

Litigation

Calwell, Carolyn (ENERGY/MEDEI/MRI); Imbrogno, Serge (ENERGY); Nelms, Scott (ENERGY); Hume, Steen (ENERGY)
Cc: Ouellette, Lois A; Betik, Matthew
Subject: EXTERNAL – New thinking

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All,

As you know by now, the OEB believes that they should not be involved with the approval process of the regulatory asset.

In the absence of regulatory accounting, PSAB requires that the energy purchased (the unrecognized regulatory asset) be expensed immediately.

If the sale contract would be set-up in a way that the unrecognized asset is sold to the OPG Trust on a daily basis, then an offsetting revenue would be recorded.

As IESO is an agent for the market participants, IESO is showing the market transactions in the income statement on a net basis.

Therefore, no impact on the income statement and the sale would be recorded as a receivable from the OPG Trust.

The accounting treatment in the IESO's books should not impact the nature of the asset purchased by the OPG Trust, as I believe it would still be considered an intangible asset.

The new accounting approach would:

- not require the approval of the OEB;
- not require IESO to adopt regulatory accounting under PSAB; and
- permit the legislation to be as tight as possible for the right to collect the intangible asset; and
- not require the consolidation of the market books.

I would appreciate your comments on the proposed approach above.

Ps: Is this the magic that Andrew was expecting!

Michel Picard, CPA, CA

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