Message

From: MAUTI John -FIN & C CTRL [/O=OH/OU=TORONTO/CN=RECIPIENTS/CN=932974]
Sent: 04/05/2017 11:57:24 AM
To: HARTWICK Ken -FINANCE [/o=OH/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=217097]
CC: MAUTI John -FIN & C CTRL [/o=OH/ou=Toronto/cn=Recipients/cn=932974]
Subject: RE: EXTERNAL - draft

Spoke with Michel:

1) He hears us on not calling it the "OPG Trust" ....he just wanted to define the term....told him to call it the "Financing Trust" or something like that
2) Control of the Trust – he feels strongly this has to be part of his letter as this is basically a securitization type arrangement and since we're related parties, the issue of control by IESO is a topic that needs an assessment. Sounds like he will continue with this and I don't suspect he'll pare it down.
3) We did discuss that the Province itself should have an accounting opinion that supports they do not control the Trust and that GBE status for OPG is maintained....he doesn't think they are doing anything but it's their call to make, not ours (our position all along)
4) Public disclosure – as I sent in the other email

He also relayed the 3 hour meeting KPMG had with the AG's office where Bonnie came after them hard on suggesting PSAB allowed for the set up of a regulatory asset. She thinks the accounting change by the IESO was not appropriate and that she would qualify this year's public accounts if they did not recall and correct!

She is coming at this issue hard, even referring openly to "having lost the pension issue" last year and not wanting to have another questionable issue this year. She has hired on contract the retired AUTHOR of the existing PSAB standards to go toe to toe with Michel

Don't suspect next week's meeting will be very cordial ......

John G. Mauti
Chief Controller & Accounting Officer
OPG Inc.
(416) 592-4046

From: HARTWICK Ken -FINANCE
Sent: Wednesday, May 03, 2017 6:08 PM
To: MAUTI John -FIN & C CTRL
Subject: RE: EXTERNAL - draft

Great Jerry.
Can you give him a call indicating I am out of town. Sounds like they need to remove the OPG trust item. Rest of the items are ok ish
Kent that is Clark Kent

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(www.blackberry.com)

From: MAUTI John -FIN & C CTRL <john.mauti@opg.com>
Date: Wednesday, May 03, 2017, 2:06 PM
To: HARTWICK Ken -FINANCE <ken.hartwick@opg.com>

Cc: MAUTI John -FIN & C CTRL <john.mauti@opg.com>
Subject: RE: EXTERNAL - draft

Thanks Kent ! ☺

The entire analysis comes from KPMG and nothing expressly from IESO Management. A concern when KPMG expresses and independent opinion on matters that they actually put together

Some specific things I noticed:

1) KPMG calls it the "OPG Trust"….not a name we've tried to use…
2) IESO New Accounting Policy – reg assets was effective Jan 1, 2016….obviously to make this plan work. Suspect that is where Bonnie has heartburn
3) Issue by issue there is a "management conclusion" and KPMG conclusion ….all on KPMG letterhead. Weird and obvious that KPMG did both. Not sure how KPMG deals with independence / conflict issue (no wonder you partners made a lot of money !)
4) The entire Issue #2 – **Does the IESO control the Trust ?????** Why is KPMG doing this assessment and opining?? I don't think in any context would the IESO be seen as controlling the Trust and I don't think this was a risk from anyone's perspective. The IESO have in fact gone out of their way to suggest they are controlling nothing by pitching themselves as the "bag man' controlling how to bill customers and recover but have nothing to do with the asset itself the plan, the recovery, the risk. I can see if KPMG was assessing whether the Province or Ministry was controlling the Trust but not the IESO. It's plain and obvious the IESO does not but 7 pages are needed to get there….
5) Issue #3 – Can the IESO derecognize the asset : basically takes a first principle approach to what an asset is and concludes it's not an asset

Their memo is 23 pages long (they then attach the FHP act as an appendix)

Our assessment is 14 pages with 2 pages for EY letter. All told, about the same approximate length.

John G. Mauti
Chief Controller & Accounting Officer
OPG Inc.
(416) 592-4046

From: HARTWICK Ken -FINANCE
Sent: Wednesday, May 03, 2017 1:34 PM
To: MAUTI John -FIN & C CTRL
Subject: FW: EXTERNAL - draft

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From: Picard, Michel <mpicard@kpmg.ca>
Date: Wednesday, May 03, 2017, 1:32 PM
To: HARTWICK Ken -FINANCE <ken.hartwick@opg.com>
Subject: EXTERNAL - draft

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Hi Kent,

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On a different note, would you be interested in joining our table at the next OEN Luncheon on May 18? Serge Imbrogno will be joining our table.

The topic of conversation will be "Business Opportunities in Transportation Electrification"

Panelists:
Cara Clairman, Plug' n Drive
Heather Ferguson, Ontario Power Generation
Dr. Josipa Petrunic, Canadian Urban Transit Research & Innovation Consortium

Michel Picard, CPA, CA

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