

March 28, 2019



VIA Email, Courier and RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
27th Floor 2300 Yonge Street
Toronto, ON M4P 1E4

Independent Electricity System Operator

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Dear Ms. Walli:

**Re: Independent Electricity System Operator
2019 Expenditure and Revenue Requirement Submission Update
Ontario Energy Board File No.: EB-2019-0002**

Please find enclosed the Independent Electricity System Operator's (IESO) 2018 Annual Report filed as Exhibit A-3-1 of its 2019 Revenue Requirement Submission.

The accompanying financial statements reflect a retroactive change in certain accounting policies. Specifically, the IESO has changed its accounting policies regarding the discount rate utilized for the two unfunded employee benefit plans, namely the supplemental employee retirement (SERP) and other post-employment benefit (OPEB) plans.

As a result of the change in accounting policy, the IESO's SERP and OPEB expenses were restated dating back to 2010. The cumulative effect has resulted in an operating deficit position of approximately \$4.73 million as of December 31, 2018.

The Office of the Auditor General of Ontario has completed its financial statement audit and provided a clean audit opinion which concludes that the noted changes in accounting policies adheres to Canadian public sector accounting standards.

Accordingly, the IESO has also filed an update to the following sections of its 2019 Revenue Requirement Submission:

- Exhibit B-3-1 2018 Year-End Financials, Surplus and Staffing;
- Appendix 2-JB Cost Drivers;
- Appendix 2-K Employee Costs;
- Appendix 2-JC OM&A Programs.

In its 2019 Revenue Requirement Submission, the IESO requested to raise its operating reserve to \$10 million. The IESO is not proposing to increase its revenue requirement for fiscal 2019 to recover its current operating deficit position. Rather, the IESO plans to address this deficit funding gap in future rate filings with the OEB.

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Please contact me directly at 905-855-6340 or Devon.Huber@ieso.ca if you have any questions or wish to discuss these points further.

Sincerely,



Devon Huber
Senior Manager, Regulatory Affairs

cc: Mr. Fred Cass, Aird & Berlis (email)
Intervenors to EB-2019-0002 (email)