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May 17, 2017

The Honourable Glenn Thibeault
Minister of Energy
900 Bay Street
Hearst Block, 4th Floor
Toronto, ON M7A 2E1

Dear Minister Thibeault:

Re: IESO Accounting in relation to the Fair Hydro Plan

The attached accounting opinion issued by KPMG to the Independent Electricity System Operator (IESO) entitled *An Accounting Opinion on the Application of PSAS to the Consolidation of a Trust and to the Recognition and Derecognition of a Variance Account in Relation to Bill 132, Ontario Fair Hydro Plan Act, 2017,* confirms the IESO's view that:

1. The IESO can recognize a regulatory asset related to the variance account created by the proposed Act in its financial statements prepared in accordance with Canadian public sector accounting standards ("PSAS"). The variance account created by the proposed Act is subject to rate regulation by the Ontario Energy Board and the variance account will be established with the right to collect and apply funds against the variance amount in the future;

2. The regulatory asset will be derecognized in IESO financial statements upon transfer of the variance account to a trust to be set up by OPG; and

3. Based on the 11 indicators of control as defined in Section PS 1300 *Government Reporting Entity*, there is no evidence of control by the IESO for the trust to be set up by OPG either collectively or individually. The IESO will not have the power to govern the Trust, nor have ongoing access to the Trust's assets. The IESO will also not have any voting shares or future rights to the Trust nor the power to dissolve the Trust. Without control under PSAS, the Trust is not subject to consolidation within the IESO financial statements.

Sincerely,

Bruce B. Campbell

c: Serge Imbrogno, Deputy Minister of Energy

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