Q. The Globe article suggests that the IESO switched to rate-regulated accounting very suddenly after previously rejecting the approach. Was this done only to create a loophole for the government's Fair Hydro Plan?

With respect to changes made in 2017, specifically, the recognition of rate regulated assets and market accounts, it is important to note that these changes were made after extensive discussions and deliberations with external professional advisors and the IESO Board of Directors.

After extensive review, the Board of Directors and management of the IESO continue to believe that the policies that the IESO adopted in 2017 are appropriate and in accordance with Canadian Public Sector Accounting Standards.

Q. How did the IESO come to the conclusion that it was acceptable to look to US GAAP for guidance on rate regulated activities? Is there a clause or section of PSAS that permits the use of GAAP in a given scenario?

A. The IESO follows Public Sector Accounting Standards (PSAS) for its accounting. PSAS neither explicitly permits, nor prohibits, the recognition, measurement, presentation or disclosure of rate-regulated activities.

In absence of a clear position on an issue, standard accounting practice dictates that an entity is entitled to consult another accounting standard. In this case, the IESO consulted US GAAP, the only accounting framework in North America that provides guidance on rate regulated operations. The IESO has since adopted aspects of the US GAAP accounting framework allowing the IESO to recognize a regulatory asset.

This decision was supported by an accounting opinion from our external auditors at KPMG and aligns the IESO with six of the eight other independent system operators in North America. In fact, more than one of the big-four accounting firms agree with our decision on this matter.

Q. How much revenue is OPG making from managing the Fair Hydro Trust?

A. OPG earns interest income on funds it loans to the Trust, which rank as subordinated debt of the Trust. OPG also receives a management fee for services provided to the Trust as its Financial Services Manager.

OPG used its expertise in managing other large funds and worked with its advisors to successfully market Fair Hydro Trust Bonds. In the February 2018 offering, there was strong investor appetite and it resulted in an interest rate of 3.357%, one of the lowest financing costs in the Canadian energy sector. The second offering in April had an interest rate of 3.52%. [TBC]

Fees charged by OPG to the Trust are in accordance with sections 10.1 to 10.15 of *Ontario Regulation 206/17,* and are at the lower end of benchmarked companies' fees. OPG's management fees are subject to an annual review by the Ontario Energy Board (OEB). Management fees for 2017 and the January 2018 to March 2019 period have been submitted to the OEB for review.

[more detailed response expected from OPG]