<u>Q&A Response – Summary of the Deloitte Report</u>

Q. Although KPMG is the Independent Electricity System Operator external auditor, Deloitte was engaged by KPMG to provide its opinion (i.e., Deloitte Report) and ask whether a public sector entity could use rate regulated accounting under Canadian Public Sector Accounting Standards (PSAS), as established by Charted Professional Accounts Canada (CPAC). What are some to the key conclusions of the Deloitte Report?

Public Sector Accounting Standards (PSAS) are silent on the question of how to account for the impacts of rate regulation. However, through an analysis of the guidance provided in PSAS, the Deloitte Report concluded that it is appropriate for a public sector entity to select accounting policies that would result in the recognition of the impacts of rate regulation, by analogy to U.S. accounting standards and the related eligibility criteria on the topic.

The Deloitte Report further concluded that any regulatory assets and liabilities recognized through the appropriate application of these policies would meet the criteria for recognition under PSAS.

It should be noted, however, that the Deloitte Report did not include in its scope an assessment of the specific regulatory assets or liabilities recognized by the Independent Electricity System Operator (IESO) through the application of this accounting policy under PSAS.