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July 25, 2017

Private and Confidential

Ms. Kim Marshall
VP, Corporate Services & CFO
Independent Electricity System Operator (IESO)
120 Adelaide Street West
Suite 1600
Toronto, Ontario M5H 1T1

Dear Madam:

Memorandum to file and Deloitte Opinion

Please find enclosed our Memorandum to file addressing the issues raised by the Office of the Auditor General in its email sent to John Gordon on June 20, 2017.

In addition, enclosed is an opinion obtained by KPMG LLP ("KPMG") from Deloitte LLP ("Deloitte") regarding the permissibility of adopting Rate-Regulated Accounting under PSAS by an "Other Government Entity" such as the Independent Electricity System Operator (the "Deloitte Opinion"). Deloitte has agreed that KPMG is permitted to provide you with a copy of the Deloitte Opinion for informational purposes only, subject to your agreement to the following terms and conditions. You agree and acknowledge that the Deloitte Opinion was prepared for KPMG pursuant to the terms of KPMG's engagement agreement with Deloitte, and not for any other person or entity including yourself. You agree that the Deloitte Opinion will not be disclosed by you, whether in whole or in part, nor will you make any reference to the Deloitte Opinion or to the involvement of Deloitte in preparing the Deloitte Opinion, to any other person or entity without the prior express written consent of Deloitte. You acknowledge and agree that Deloitte neither warrants nor represents that the information contained in the Deloitte Opinion is accurate, complete, sufficient or appropriate for use by any person or entity other than KPMG or for any purpose other than set out in the engagement agreement between Deloitte and KPMG. You acknowledge and agree that the Deloitte Opinion may not be relied upon by you or any person or entity other than KPMG, and that Deloitte expressly disclaims any and all responsibility or liability to any person or entity other than KPMG in connection with their use of the Deloitte Opinion. If you do not agree to these terms and conditions, you must immediately return the Deloitte Opinion to KPMG.

Yours very truly,

Michel Picard, CPA, CA
Partner
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