KPMG

KPMG LLP
KPMG LLP
Accounting Service Centre|Suite 1400|1
Vaughan, ON L4K 0J3

Payment Address:
KPMG LLP, T4348
P.O. Box 4348, Station A
Toronto, ON M5W 7A6

July 26, 2018

Independent Electricity System Operator
#1600-120 Adelaide Street West
Toronto, ON M5H 1T1
ATTN: Ms. Susan Nicholson
Corporate Controller

Invoice	: 8002141986
Reference	: 2000606203
Client	: 1000003504
Contact	: Rhonda Anderson
Telephone	: (416) 777-8255
Email	: rhondaanderson@kpmg.ca

susan.nicholson@ieso.ca

To Professional Indirect Tax Services for the period June 1, 2017, to July 31, 2018 as described herein below, pursuant to engagement letter with KPMG LLP for Indirect Tax (GST/HST) advisory services:

IESO as Financial Institution and GST 111 Issue

- June 6, 2017, request by IESO to confirm CRA's receipt of GST111 letter and that the position IESO is not a reporting entity for the 2016 fiscal year was accepted. Various authorization issues arose with CRA communicated to Anthony.
- June 12, 2017 IESO in receipt of request from CRA to file GST 111, despite letters sent to describe IESO is not required to file the GST 111. Review of documentation collected and sent to CRA. Letter sent to Susan Nicholson to prepare for CRA attention.
- June 13, 2017 contact CRA by Rhonda Anderson to discuss IESO account and locate letter filed previously as to status of IESO.
- June 27th, 2017, email correspondence between Ryan Fullarton and Anthony outlining RC59 update and addressing pension filings, and discussion related to obtaining authorization on IESO PP account with CRA and 2016 pension filings.

Fair Hydro IESO Issues

- June 6th, 2017 review of applicable legislation by our Simon Proulx pertaining to OPG trust regulatory asset sale/financing and application of GST/HST to receivable trust in preparation of meeting with ISEO. Also meet with Michel Picard to ensure transaction understood from an accounting position. Request to meet made by Susan Nicholson.
- June 7th, 2017 meeting between our Rhonda Anderson, Simon Proulx, and IESO's Susan Nicholson and others regarding status of IESO as a financial institution under 149(1)(c) due to potential interest income related to transactions.
- June 8th, 14th, 15th, and 19th analysis of ETA in light of transaction facts as represented by agreements and documents provided by IESO, as discussed in

GST/HST Number 12236 3153 RT0001 QST Registration 1023774310 TQ0001

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[redacted]

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meeting on June 7th, 2017 and preparation of draft email to IESO outlining application of ETA. Confirmation of facts with IESO and provision of email confirming that FI risk remained at 149(1)(c) due to potential interest income.

- June 20th, 2017, email communication between Susan Nicholson and Rhonda Anderson related to IESO vs IESO Markets being party receiving interest income and impact for GST111 purposes.
- November 15th, 27th, and December 1, communication with Susan Nicholson related to the application of GST/HST to expenses pushed through to IESO from the Trust and the appropriate manner of handling these expenses. The concern and issue is whether tax is embedded and unrecoverable as supply is exempt creating tax costs to IESO.

Requirement to Self-Assess Tax

- April 5, 2018 - Review of Contribution Contract between the IESO and the American Council for an Energy-Efficient Economy (ACEEE), where under IESO contributes USD $10,000 to each of 4 Research Projects, for a total of USD$40,000. All ACEEE research projects are listed in "ACEEE 2018 Research Prospect uses FINAL 9-15-17. pdf". Research determined IESO was not required to self-assess 13% HST and has no obligation to report tax to the CRA in respect of the payment because the costs incurred relate to the commercial activities of IESO.
- April 5, 2015 Conference call with Susan Nicolson, Julie Wong Barker, and Mark Joaquim to discuss the above - IESO not required to self-assess GST/HST on payment as indicated. Earlier research by Ryan tax discounting service informed IESO there was a requirement to self-assess tax which failed to take into consideration IESO is not a public institution, but rather, a not for profit corporation engaged in commercial activity.

Requirement in Respect of W-9 (IRS)

- April 5, 2018 - email from Susan Nicholson regarding W-9 Request for Taxpayer

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Identification Number and Certification, in relation to DLC Membership of utility and energy efficiency program managers across the US and Canada.

- April 5, 2018 - Review of information provided by Susan Nicholson including description of DLC Membership and invoice. April 5th, 2015 - Information provided to Susan Nicolson by Josh Klein in respect of the W-8 and obligations to report tax to the IRS.

New Charge Type Numbers 1148, 1703, 9930, 9940, 123, 173 and 124

- Provide HST treatment for new charge type number: 1148 - Global Adjustment Energy Storage Injection Reimbursement;
- Provide HST treatment for new charge 1703 - Rural Rate Remote Protection Variance Balancing Amount
- Provide HST treatment for new charge type number 9930 - Smart Metering Charge Balancing Amount.
- Provide HST treatment for new charge type number 9940 IESO Administration Charge Balancing Amount;
- Provide HST treatment for new charge type number 123 - MACD Enforcement Activity Amount;
- Provide HST treatment for new charge type number 173 - MACD Enforcement Activity Balancing Amount; and
- Provide HST treatment for new charge type number 124 - SEAL CMSC Amount:
- 5/18/18 - Review emails from Susan Nicholson and Mansoor Ahmad requesting direction of HST treatment for new charge types.
- Research application of ETA to the above supplies made to/by IESO and manner in which GST/HST will apply.
- 5/28/18 - Conference call with Mansoor Ahmad and Jonathan Paredes to discuss the application of GST/HST to IESO new charges.
- 5/31/18 - Review email and additional information from Mansoor Ahmad re: explanation of new charges.
- Review "IESO Charge Types and Tax Treatment" excel master spreadsheet provided

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by Mansoor. Download and review IESO "HST Guide for IESO Transactions".

- 6/1/18 - Research issues, prepare HST treatment in Form 1137 excel spreadsheet, prepare email to Mansoor Ahmad with brief explanation regarding our responses to the new charges.
- 6/4/18 - Review email from Mansoor Ahmad re additional questions regarding Charge Type 124 - SEAL CMSC Amount. Research issues.
- 6/4/18 - Prepare revised HST treatment in Form 1137 excel spreadsheet, prepare email to Mansoor Ahmad with revised explanation regarding our response to Charge Type 124 - SEAL CMSC Amount.

New Charge Type Number 2404
Provide HST treatment for new charge type number 2404 - Supplemental Reactive Support and Voltage Control Service Settlement Credit:

- 6/12/18 - Review email from Mansoor Ahmad requesting direction of HST treatment for new charge type. Research issues.
- 6/12/18 - Research legislation (ETA) and application of GST/HST to new charge type.
- Prepare email to Mansoor Ahmad requesting additional information regarding new charge type. Review email response from Jonathan Paredes.
- 6/14/18 - Research legislation and prepare HST treatment in Form 1137 excel spreadsheet, prepare email to Mansoor Ahmad with brief explanation regarding our responses to the new charge.

Total $29,500

GST/HST Number 12236 3153 RT0001 QST Registration 1023774310 TQ0001

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Our Fee	$	29,500.00	CAD
	$	**29,500.00**	CAD
HST		3,835.00	
Amount Due	$	**33,335.00**	CAD

Payment is due upon receipt
GST/HST Number 12236 3153 RT0001 QST Registration 1023774310 TQ0001

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Breakdown of Hours - KPMG Invoice 8002141986

Employee Name	TimeSheet Narrative	Work Date	Hours	Standard Rate	Standard Fee Revenue	Engagement Rate	Fee
Ryan Fullarton	As requested by Rhonda Anderson, had call with CRA to confirm receipt of GST111 letter and that position had been accepted that IESO is not a reporting entity for the 2016 fiscal year. Also, discussed various authorization issues.	06/06/2017	1.20	$480.00	$576.00	$375.00	$450.00
Simon Proulx	Meeting with Rhonda; prep for client meeting	06/06/2017	1.70	$1,050.00	$1,785.00	$450.00	$765.00
Simon Proulx	Client meeting re receivables trust	06/07/2017	2.00	$1,050.00	$2,100.00	$450.00	$900.00
Ryan Fullarton	As requested by Rhonda A, reviewed all available information and applicable legislation pertaining to OPG trust regulatory asset sale/financing and participated in call to discuss potential GST/HST impact.	06/08/2017	3.50	$480.00	$1,680.00	$375.00	$1,312.50
Rhonda Anderson	GST 111 issues, contact CRA ; find form letter to send to Susan. CRA no records of previous letters indicating IESO is not a FI; authorization ot access account raised.	06/08/2017	2.70	$900.00	$2,433.60	$450.00	$1,216.80
Simon Proulx	meeting with Michel Picard; Debrief with Rhonda	06/08/2017	0.80	$1,050.00	$840.00	$450.00	$360.00
Ryan Fullarton	As requested by Rhonda A, reviewed additional documentation provided by Anthony and contacted CRA to discuss ongoing RC59 issues for IESO PP and IESO.	06/12/2017	2.00	$480.00	$960.00	$375.00	$750.00
Ryan Fullarton	As requested by Rhonda A, reviewed all information and documentation PBC pertaining to Fair Hydro planned transactions as well as applicable legislation and began preparing memo.	06/13/2017	2.00	$480.00	$960.00	$375.00	$750.00
Jennifer Muirhead	pension discussion with ryan	06/13/2017	0.30	$695.00	$208.50	$420.00	$126.00
Ryan Fullarton	As requested by Rhonda A, finished review of applicable legislation and documentation and finalized memo outlining potential GST/HST	06/14/2017	6.00	$480.00	$2,880.00	$375.00	$2,250.00
Simon Proulx	Call from Ryan	06/14/2017	0.75	$1,050.00	$787.50	$450.00	$337.50
Ryan Fullarton	As requested by Rhonda, continued to review applicable legislation to analyze potential GST/HST impact of potential transactions. Had call with Simon Proulx to discuss FI analysis.	06/15/2017	1.50	$480.00	$720.00	$375.00	$562.50
Simon Proulx	Edits to draft client email re conclusions on FI status;	06/15/2017	1.00	$1,050.00	$1,050.00	$450.00	$450.00

Ryan Fullarton	Had call with Rhonda to discuss additional information provided by Susan. Confirmed that FI risk remained at 149(1)(c) due to potential interest income.	06/19/2017	0.50	$480.00	$240.00	$375.00	$187.50
Ryan Fullarton	Call with Rhonda to discuss IESO vs IESO Markets being party receiving interest income and impact for GST111 purposes.	06/20/2017	0.50	$480.00	$240.00	$375.00	$187.50
Ryan Fullarton	E-mail to Anthony outlining RC59 update and addressing pension filings. Had call with Anthony to discuss obtaining authorization onIESO PP account with CRA and 2016 pension filings.	06/27/2017	0.75	$480.00	$360.00	$375.00	$281.25
Rhonda Anderson	Call from Susan re:embedded tax in expesnes pushed through from Trust	11/27/2017	1.00	$900.00	$900.00	$450.00	$450.00
Rhonda Anderson	Issues with CRA - see email	12/01/2017	1.00	$900.00	$900.00	$450.00	$450.00
Rhonda Anderson	email and phone call from Susan Nicholson re: self assessment HST issue	04/03/2018	1.00	$900.00	$900.00	$450.00	$450.00
Rhonda Anderson	Review attachments to email :Q1 forwarded by Julie Wong Barker	04/03/2018	0.70	$900.00	$630.00	$450.00	$315.00
Rhonda Anderson	Review ACEEE Contribution Agreement	04/03/2018	1.50	$900.00	$1,350.00	$450.00	$675.00
Rhonda Anderson	Review ACEEE Reseach proposition	04/03/2018	1.00	$900.00	the	$450.00	$450.00
Rhonda Anderson	Review response by Ryan tax discounting and summary by Julie Wong Barker; Conclusions reached incorrect as IESO is not a public insitution by definition under the ETA	04/03/2018	1.40	$900.00	$1,260.00	$450.00	$630.00
Rhonda Anderson	Tax question 2 related to IRS form W9EF - review and refer to Joshua Klein	04/03/2018	0.30	$900.00	$270.60	$450.00	$135.00
Joshua Klein	tax question from Rhonda A on behalf of IESO IRS issue related to DDLC Membership	04/04/2018	0.30	$840.00	$252.00	$420.00	$126.00
Joshua Klein	Review email communicaiton Does IESO need to report via 109	04/04/2018	1.00	$840.00	$840.00	$420.00	$420.00
Joshua Klein	Review agreement	04/04/2018	1.00	$840.00	$840.00	$420.00	$420.00
Joshua Klein	Analysis of Ryan repsonse	04/04/2018	0.50	$840.00	$420.00	$420.00	$210.00
Joshua Klein	Analysis of legislation for conference call on April 5th.	04/04/2018	1.00	$840.00	$840.00	$420.00	$420.00
Joshua Klein	Discussion with Rhonda prior to conference call re: findings	04/04/2018	0.50	$840.00	$420.00	$420.00	$210.00
Rhonda Anderson	Conference call with IESO - re: HST self assessment issue	04/05/2018	1.00	$900.00	$450.00	$450.00	$450.00
Joshua Klein	Conference call with IESO - re: IRS reporting requirement	04/05/2018	1.00	$900.00	$450.00	$450.00	$450.00
Rhonda Anderson	Email from Susan re: request related to market charges	05/18/2018	1.00	$900.00	$450.00	$450.00	$450.00
Rhonda Anderson	Request for settlement charge analysis and tax code assignment review template sent - assign to Murray Haapala	05/23/2018	1.00	$900.00	$450.00	$450.00	$450.00

Rhonda Anderson	Conference call with Mansorr Ahmed and other IESO personnel re: new charge codes	05/28/2018	1.00	$900.00	$450.00	$450.00	$450.00	
Murray Haapala	review Rhonda email and client spreadsheet. Analysis os IESO existing guide and ETA	05/23/2018	2.50	$750.00	1.875.00	$375.00	$937.50	
Murray Haapala	research issues relating to new charges, review HST Guide for IESO Transactions. Arrange conference call to discuss issues.	05/24/2018	2.50	$750.00	$1,875.00	$375.00	$937.50	
Murray Haapala	research issues relating to new charges, review HST Guide for IESO Transactions. Information provided by IESO	05/25/2018	2.50	$750.00	$1,875.00	$375.00	$937.50	
Murray Haapala	conf call with Rhonda, Mansoor and Jonathan re discussion of new charges, research issues.	05/28/2018	1.00	$750.00	$750.00	$375.00	$375.00	
Murray Haapala	analysis of legislation related to new charge codes with reference to information provided by Jonathan Paredes	05/28/2018	2.00	$750.00	$1,500.00	$375.00	$750.00	
Murray Haapala	email from Mansoor Almed re: latest file related to charge types	05/28/2018	0.50	$750.00	$375.00	$375.00	$187.50	
Rhonda Anderson	Email from Susan Nicholson related to urgency of response required; discussion with Murray - set IESO as priority to meet deadline by the end of the week. Reschedule other client work.	05/28/2018	0.50	$900.00	$450.00	$450.00	$225.00	
Murray Haapala	Discussion with Rhonda as to status of work. Response to questions sent to client received - Analysis of responses	05/28/2018	2.50	$750.00	$1,875.00	$375.00	$937.50	
Murray Haapala	research new charges, review HST guide, review IESO HST Treatment spreadsheet for similar charges, review email from Mansoor re explanation of charges.	05/31/2018	5.00	$750.00	$3,750.00	$375.00	$1,875.00	
Brad Thorimbert	Review of on his preliminary findings concerning the application of Ontario HST to new IESO charges - review of his draft email and findings	06/01/2018	1.50	$840.00	$1,260.00	$420.00	$630.00	
Murray Haapala	research new charges, review HST guide, review IESO HST Treatment spreadsheet for similar charges, review email from Mansoor re explanation of charges. Prepare excel spreadsheet with tax codes, email to Rhonda for review. Prepare email to Mansoor with our comments.	06/01/2018	3.00	$750.00	$2,250.00	$375.00	$1,125.00	
Murray Haapala	review Mansoor email re our classification for CT124 charge for column K (HST Tax Treatment for U.S., Manitoba, and Quebec Generation). Called Mansoor to discuss, revise "Form_1137" spreadsheet to reflect change of tax status from N/A to 13%. Send email to Mansoor summarizing changes.	06/04/2018	1.50	$750.00	$1,128.00	$375.00	$562.50	
Brad Thorimbert	Technical discussion with Murray regarding HST status of new IESO code 2404	06/12/2018	0.50	$840.00	$420.00	$420.00	$210.00	

Murray Haapala	review Mansoor email re new charge CT2404 – Supplemental Reactive Support and Voltage Control Service Settlement Credit. Called Mansoor to discuss, prepare and send email to Mansoor requesting further clarification on new charge CT2404. Review response from Jonathan Paredes.	06/12/2018	2.00	$750.00	$1,500.00	$375.00	$750.00
Murray Haapala	Review response from Jonathan Paredes on new charges. Prepare Form_1137 with our comments, prepare email to Mansoor with explanation.	06/13/2018	1.50	$750.00	$1,125.00	$375.00	$562.50
		Total	73.40				$29,500.00

Grand Total Before Tax: $29,500.00