

1. In booking expense journal entries for Charge Type 1142 (formerly 142), and Charge Type 148 from the IESO invoice, please confirm which of the following approach is used:
  - a. Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro- rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively
  - b. Charge Type 148 is booked into Account 1589. The portion of Charge Type 1142 equalling RPP-HOEP for RPP consumption is booked into Account 1588. The portion of Charge Type 1142 equalling GA RPP is credited into Account 1589.
  - c. Another approach. Please explain this approach in detail.

## **RESPONSE**

Energy+ uses the approach a. in booking expense journal entries for Charge Type 1142 (formerly 142) and Charge Type 148 from the IESO invoice.

- a. Charge Type 1142 is booked into Account 1588. Charge Type 148 is pro- rated based on RPP/non-RPP consumption and then booked into Account 1588 and 1589, respectively.

**2. Please complete this below chart separately for 2015 and 2016 respectively.**

In regards to the Dec. 31 balance in Account 1589; for all components that flow into Account 1589 (see items i to iv in the table below), please complete the table below and indicate whether the items listed have been recorded based on estimates or actuals at year-end. Where an item has been recorded based on an estimate, quantify the adjustment required for true up from estimate to actual.

	<b>Component</b>	<b>a) Estimate or Actual</b>	<b>Notes/Comments</b>	<b>b) Quantify True Up Adjustment</b>
i	Revenues (i.e. is unbilled revenues trued up by year end)			
ii	Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)			
iii	Expenses - GA non-RPP: Charge Type 148 with respect and RPP/non-RPP pro-ratio percentages			
iv	Credit of GA RPP: Charge Type 142 if the approach under IR 1b is used			

## RESPONSE

The following is the completed table for Energy+ (CND) for 2015:

Component	a) Estimate or Actual	Notes/Comments	b) Quantify True Up Adjustment
Revenues (i.e. is unbilled revenues trued up by year end)	2015 – Estimate at year-end  Subsequently trued up to Actual	Adjustments as stated on the GA Analysis Workform.	\$209,336 Ref. Note 5 (2b)  \$754,002 Note 7
Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	2015 – Actual	Energy + calculated GA non-RPP portion of charge type 148 based on the actual monthly billing non-RPP consumption.	
Expenses - GA non-RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages	2015 – Actual	2015 - RPP/Non-RPP pro-ration average percentages were 43% and 57% respectively.	
Credit of GA RPP: Charge Type 142 if the approach under IR 1b is used	N/A		

The following is the completed table for Energy+ (CND) for 2016:

<b>Component</b>	<b>a) Estimate or Actual</b>	<b>Notes/Comments</b>	<b>b) Quantify True Up Adjustment</b>
Revenues (i.e. is unbilled revenues trued up by year end)	2016 – Estimate at Year-End  Subsequently trued up to Actual	Adjustments as stated on the GA Analysis Workform.	(\$14,906) Ref. Note 5 (2a) (\$158,185) Note 7
Expenses - GA non-RPP: Charge Type 148 with respect to the quantum dollar amount (i.e. is expense based on IESO invoice at year end)	2016 – Actual	Energy + calculated GA non-RPP portion of charge type 148 based on the actual monthly billing non-RPP consumption.	
Expenses - GA non-RPP: Charge Type 148 with respect and RPP/non-RPP pro-ration percentages	2016 – Actual	2016 - RPP/ Non-RPP pro-ration average percentages were 43% and 57% respectively.	
Credit of GA RPP: Charge Type 142 if the approach under IR 1b is used	N/A		

3. All components of Account 1589 should be recorded based on actual prior to seeking disposition of the balance with the OEB. For any items in Account 1589 that are currently based on estimates, please update Note 5 of the GA Analysis Workform (for both 2015 and 2016) with the required adjustments for true-up to actual, and update the DVA continuity schedule such that these adjustments are reflected in the Account 1589 balance being sought for disposition. Any required true-up adjustments should be recorded in the “Principal Adjustments” column of the DVA continuity schedule.

**RESPONSE**

Energy+ (CND) confirms that all of the components of account 1589 have been recorded based on actual prior to seeking disposition of the balance with the OEB. These true-up adjustments have been recorded in the “Principle Adjustments” column of the DVA Continuity Schedule.

4. Please assess the impact on the unresolved difference in Note 5 of the GA Analysis Workform relating to the unaccounted for energy element of GA by comparing the actual system loss factor for each of the years 2015 and 2016 to the OEB approved loss factor for each of the years. If material please make an adjustment as a reconciling item in Note 5 of the GA Analysis workform. Please also provide the detailed calculation that quantifies the impact of this difference.

## RESPONSE

Energy+(CND) has computed the actual system loss factor for each of the years 2015 and 2016, utilizing the OEB's loss factor model, and compared the computed loss factor to the OEB approved loss factor. The impact of the unaccounted energy element of GA has been estimated using the variance between these two loss factors for each of the years 2015 and 2016. The amounts do not appear to be material.

	2015	2016
a) Raw kWh Purchase - Non-RPP Class B	848,235,731	805,165,854
b) Raw kWh Sale - Non-RPP Class B	847,203,735	807,753,697
Loss Factor in Distributor's system a/b	1.001	0.997
Supply Facility Loss Factor	1.008	1.009
<b>Calculated Loss Factor</b>	<b>1.009</b>	<b>1.005</b>
Energy+ (CND) Approved Loss Factor	1.0335	1.0335
Variance	(0.0002)	(0.0003)
\$ Consumption at GA Rate Billed (GA Workform)	\$ 60,791,455	\$ 74,640,983
<b>Total Adjustment related to Loss Factor</b>	<b>\$ (14,931)</b>	<b>\$ (20,997)</b>

5. Please provide the total GA amounts billed to non-RPP customers in 2015 and 2016 as recorded in the applicant's revenue G/L accounts excluding any transfers to RSVA GA if applicable.

**RESPONSE**

Total GA amounts billed to non-RPP customers in 2015 and 2016 as recoded in GL excluding any transfer to RSVA were (\$64,473,802) and (\$79,802,322) respectively.

6. The regards to the adjustments in 2015 and 2016 to Account 1589 related to the revised computation of the RPP vs. non-RPP proration:
- a. Please explain why the revision to the calculation was required and provide detail as to what was changed compared to the previous calculation. In particular, why did the Class A kWh need to be adjusted?
  - b. Where does the information required to perform this calculation pulled from, and when is the actual data available to perform this calculation become available.
  - c. Was the original calculation overstating or understating the balance recorded in account 1589 for each 2015 and 2016. Please explain.

## **RESPONSE**

As documented on Page 31 of the Application, Energy+(CND) revised its computation of the percentage of RPP to Non-RPP customers for purposes of allocating the Global Adjustment ("GA") between Account 1588 and 1589. The principle reason for the change was to adjust the Class A customer KWhs from the total KWhs used in the computation of the pro-ratio between RPP and Non-RPP customers.

- (a) Please explain why the revision to the calculation was required and provide detail as to what was changed compared to the previous calculation. In particular, why did the Class A kWh need to be adjusted?

Energy+ (CND) determines the pro-ratio between RPP and Non-RPP customers based upon the percentage of the kWh billed for each customer type, as a percentage of the total kWh billed.

In reviewing the components of the total kWh billed used for the original computations, Energy+ identified that it had been incorrectly including the Class A kWh in the total kWh billed for the month.

As the actual GA related to Class A customers is recorded directly to Account 1589, the Class A kWh should not have been included in the total kWh billed for purposes of determining the pro-ratio for the allocation of the Class B GA Amount between Class B RPP and Non-RPP kWh.



- (b) Where does the information required to perform this calculation pulled from, and when is the actual data available to perform this calculation become available.

The information is obtained on a monthly basis (at the end of the month) as follows:

Total kWh billed information is obtained from a monthly billing statistics report produced from the Customer Information System.

The kWh billed for RPP Customers is also obtained from the monthly billing statistics report produced from the Customer Information System, and this information is also agreed to the IESO Form 1598 submission.

The billing statistics report is available one day following the month-end. The Form 1598 Form is available within 3 days of the month-end.

- (c) Was the original calculation overstating or understating the balance recorded in account 1589 for each 2015 and 2016. Please explain.

The original computation resulted in overstating the amount recoverable in Account 1589 in each of 2015 and 2016 and an overstatement the amount payable recorded in Account 1588.

The correcting adjustment in each year was:

2015:

Dr. RSVA Power \$2,675,144  
Cr. RSVA Global Adjustment \$2,675,144

2016:

Dr. RSVA Power \$636,201  
Cr. RSVA Global Adjustment \$636,201

7. In regards to the billing adjustments with the IESO that impacted account 1589:
- What was the cause of the error in the reporting of the class A kWh on Form 1598.
  - Are the corrections to the benefit of ratepayers? Explain in the context of the balance in account 1589 before the billing adjustments and after the billing adjustments.
  - Has the IESO actually issued these corrections or are the billing issues and the associated dollar values still being settled with the IESO?
  - Has the issue been corrected going forward to ensure that it will not happen again in the future?

## **RESPONSE**

- (a) As part of the monthly reporting to the IESO, LDCs are required to provide Class A consumer volumes in order to support the settlement of the Global Adjustment. LDCs are required to provide the prior-month actual data and the current-month forecast data for Class A customers during the first week of a month. As an example, in the first week of January, actual quantities consumed for December are to be reported, along with a forecast for the month of January.

In 2015 and 2016, Energy+'s reporting practice on the Form 1598 was to report the Class A quantities to the IESO based upon a one month lag.

For example, for the Form 1598 submission due first week of June (for May actuals), Energy+ would provide the actual April Class A quantities as the prior-month actual data and the May Class A actual quantities as the current month forecast.

In early 2017, as part of the detailed analysis being undertaken to respond to questions raised by OEB staff with respect to the Energy+ 2017 IRM Application, Energy+ identified the error in how the Class A consumer volumes were being reported. Energy+ then worked with the IESO to provide the revised quantities for the years 2015 and 2016, using the actual Class A quantities for each month in 2015 and 2016. As described on Page 32 of the Application, the IESO provided revised computations of the amounts for Global Adjustment Class B charges, CBR Class A, and a small adjustment to the IESO fee. The revised charges were computed on a monthly basis and separated between the years 2015 and 2016.

- (b) As outlined in the OEB's "Guidance on the Disposition of Accounts 1588 and 1589" issued on May 23, 2017, the balances in distributors' RSVA Power and RSVA Global Adjustment accounts that are requested for disposition by distributors must reflect RPP settlement amounts pertaining to the period that is being requested for disposition. This means that RPP settlement true-up claims made with the IESO in the period subsequent to the fiscal year for which disposition is being requested must be reflected in the balances being requested for disposition.

Energy+ submits that the IESO Global Adjustment billing adjustments received in 2017 represent true-up of amounts that pertain to the periods 2015 and 2016 and therefore are to be included in the account balances for disposition.

The billing charge adjustments by the IESO represented an increased expense (payable to the IESO), resulting in a balance owing from/(to) customers as follows:

Debit/(Credit)	Principle	Interest	Total
2015 Adjustment	\$ 754,002	\$ 8,991	\$ 762,993
2016 Adjustment	<u>(158,185)</u>	<u>(1,740)</u>	<u>(159,925)</u>
	<u>\$ 595,817</u>	<u>\$ 7,251</u>	<u>\$ 603,068</u>

As explained on Page 31 of the Application, Energy+ also revised its percentage of RPP to Non-RPP customers for purposes of allocating the Global Adjustment ("GA") between Account 1588 and 1589, which then resulted in an allocation of the above adjustment between Account 1588 and 1589.

For purposes of the Energy+ (CND) GA Analysis Workform, the IESO adjustments have been shown separately in each of 2015 and 2016 to demonstrate the true-up. The adjustment to the RPP/Non-RPP Allocation on the GA Analysis Workform is shown separately and includes an allocation of the above noted adjustments, as well as corrects for the RPP/Non-RPP pro-ration as described in Question #6.

Energy+ respectfully submits that the adjustments received from the IESO in 2017 represent actual GA costs for fiscal years 2015 and 2016 that have been incurred, settled with the IESO, and are to be allocated to customers. The deferral and variance accounts for 2015 and 2016 have not previously been disposed.

- (c) As explained on Pg. 32 of the Application, the IESO adjusted the February and March 2017 invoices to reflect the adjustments required and therefore these amounts were settled with the IESO in 2017.
- (d) Yes, Energy+ confirms that the issue has been corrected going forward. The actual quantities for Class A customers are being reported for the month that they have actually been consumed.

8. In regards to the adjustment made for unbilled revenue:
- a. How does the applicant currently accrue for unbilled (i.e. first estimate)?
  - b. Was the applicant's accrual for unbilled revenue overstated or understated compared to actual amounts billed subsequently?
  - c. Should the unbilled accrual adjustment made at the end of 2015 be reversed in the following year? If so, should this not be presented as such in the GA analysis form for 2016 (i.e. in adjustment 2a. of Note 5) and the DVA continuity schedule? If not, please explain why.

## **RESPONSE**

- (a) Energy+ accrues for unbilled based on the 1<sup>st</sup> Estimate.
- (b) With respect to 2015, Energy+ overstated the unbilled revenue, and therefore overstated the RSVA GA liability. As described on Page 32 of the Application, the unbilled revenue computation at the end of 2015 incorrectly included the Class A and Wholesale Market Participant kWhs.
- (c) The unbilled accrual adjustment made at the end of 2015 in the amount of \$209,336 should not be reversed in the following year as it represents a permanent difference (in effect a true up) of the unbilled revenue computation at the end of 2015 as described in (b).

9. In regards to the KPMG audit of Accounts 1588 and 1589 for 2015 and 2016, please provide the engagement letter from KPMG which outlines the parameters of the work that was performed. If a materiality threshold is not identified in engagement letter please provide the threshold used.

## **RESPONSE**

Please find attached to this response a copy of the KPMG LLP Engagement Letter.

A materiality threshold was not outlined in the engagement letter. KPMG LLP has advised Energy+ Inc. that the materiality threshold for the audit was set at \$190,000 for 2015 and \$210,000 for 2016.

10. Did KPMG provide any recommendations to the utility as to how their GA settlement process can be improved?
  - a. Please detail any of the processes that were updated as a result of the audit findings and explain what the changes were.

**RESPONSE**

KPMG LLP did not provide any recommendations with respect to improving the GA Settlement process.

Commencing in the latter part of 2017, Energy+ has incorporated the preparation of the GA Analysis Workform as part of the monthly regulatory accounting process to ensure the reasonableness of the balance in Account 1589.



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**PRIVATE AND CONFIDENTIAL**

Ms. Sarah Hughes  
Chief Financial Officer  
Energy+ Inc.  
1500 Bishop Street  
PO Box 1060  
Cambridge ON N1R 5X6

September 22, 2017

Dear Ms. Hughes:

The purpose of this letter is to outline the terms of our engagement to audit the schedule of variance accounts 1588 and 1589 ("financial information") of Energy+ Inc. ("the Entity") for the years ended December 31, 2015 and December 31, 2016.

The attached Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

***Financial reporting framework for the financial information***

The financial information will be prepared in accordance with the financial reporting provisions of the Accounting Procedures Handbook and related Frequently Asked Questions for Electricity Distributors as published by the Ontario Energy Board (hereinafter referred to as the "financial reporting framework").

This financial information will be prepared for the purpose of providing information to the Entity and the Ontario Energy Board and for the use of Energy+ Inc. and the Ontario Energy Board.

It is understood that because the financial information is prepared in accordance with a special purpose financial reporting framework that the financial information will not be distributed to parties outside of the specified users.

The financial information will include an adequate description of the financial reporting framework.





### ***Management's responsibilities***

Management responsibilities are described in Appendix – Management's Responsibilities.

An audit does not relieve management or those charged with governance of their responsibilities.

### ***Auditor's responsibilities***

Our responsibilities are described in Appendix – Auditor's Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.

### ***Auditor's deliverables***

The expected form and content of our report(s) is provided in Appendix – Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the financial information after we have issued our audit report, but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report.

Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity, to prevent further reliance on our audit report. Such steps include, but may not be limited to, appropriate disclosures by the Entity to the users of the financial information and audit report thereon of the newly discovered facts and the impact to the financial information.

### ***Fees***

Appendix – Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.

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We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.





We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

/jfk

Enclosure

cc: Audit Committee

\*\*\*\*\*

The terms of the engagement set out are as agreed:

**Sarah J. Hughes, CPA, CA**  
**Chief Financial Officer**  
**ENERGY+ INC.**

Name and Title

Date (dd/mm/yy)

*[Signature]*  
 \_\_\_\_\_  
 22/09/17  
 \_\_\_\_\_

## ***Appendix – Management's Responsibilities***

Management acknowledges and understands that they are responsible for:

- (a) the preparation of the financial information in accordance with the financial reporting framework referred to above
- (b) providing us with access to all information of which management is aware that is relevant to the preparation of the financial information such as financial records, documentation and other matters, including the names of all related parties and information regarding all relationships and transactions with related parties and including complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the financial information
- (c) providing us with additional information that we may request from management for the purpose of the engagement
- (d) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence
- (e) such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
- (f) ensuring that all transactions have been recorded and are reflected in the financial information
- (g) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.
- (h) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us
- (i) determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances and informing us of all steps taken to determine that the applicable financial reporting framework is acceptable in the circumstances.

## ***Appendix – Auditor's Responsibilities***

Our function is:

- to express an opinion on whether the Entity's financial information is prepared, in all material respects, in accordance with the financial reporting framework referred to above; and
- to report on the financial information.

We will conduct the audit of the Entity's financial information in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- form an opinion on the financial information based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.

## ***Appendix – Expected Form of Report***

To the Directors of Energy+ Inc.

We have audited the accompanying schedule of variance accounts 1588 and 1589 of Energy+ Inc. for the years ended December 31, 2015 and December 31, 2016 (together "the schedule"). The schedule has been prepared by management in accordance with the financial reporting provisions of the Accounting Procedures Handbook and related Frequently Asked Questions for Electricity Distributors as published by the Ontario Energy Board.

### *Management's Responsibility for the Schedule*

Management is responsible for the preparation of the schedule in accordance with the financial reporting provisions of the Accounting Procedures Handbook for Electricity Distributors and related Frequently Asked Questions as published by the Ontario Energy Board, and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the schedule of variance accounts 1588 and 1589 of Energy+ Inc. for the years ended December 31, 2015 and December 31, 2016 is prepared, in all material respects, in accordance with the financial reporting provisions the Accounting Procedures Handbook for Electricity Distributors and related Frequently Asked Questions as published by the Ontario Energy Board.



*Basis of Accounting*

The schedule is prepared to provide information to the Entity and the Ontario Energy Board. As a result, the schedule may not be suitable for another purpose.

*Restriction on Use*

Our report is intended solely for Energy+ Inc. and the Ontario Energy Board and should not be used by parties other than Energy+ Inc. and the Ontario Energy Board.

### ***Appendix – Fees for Professional Services***

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates for the audit. The estimated fee is \$16,500.



## TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). This Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of the Entity.

### 1. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

### 2. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

### 3. LLP STATUS.

KPMG LLP is a registered limited liability Partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or by any other person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

### 4. DOCUMENTS AND INFORMATION.

Management's cooperation in providing us with documents and related information and agreed-upon assistance on a timely basis is an important factor in being able to issue our report. Entity agrees that all management functions/responsibilities will be performed and all management decisions will be made by Entity, and not KPMG. KPMG shall be entitled to share all information provided by the Entity with all other member firms of KPMG International Cooperative ("KPMG International"). All work papers, files and other internal materials created or produced by KPMG during the engagement and all copyright and intellectual property rights in our work papers are the property of KPMG. Except as required by applicable law or regulation, the Entity shall keep confidential the existence and terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission. Further, for purposes of the services described in this Engagement Letter only, the Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to the Entity or for internal KPMG presentations and intranet sites.

### 5. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information collected by KPMG during the course of this engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms performing services hereunder or third party service providers to provide professional services and administrative, analytical and clerical support and to comply with applicable law, regulations and professional standards. Entity also understands and agrees that KPMG aggregates Entity's information with information from other sources for the purpose of improving quality and service, and for use in presentations to clients and non-clients, in a form where such information is sufficiently de-identified so as not to be attributable to Entity. KPMG represents to the Entity that each KPMG International member firm and third party service provider providing services

hereunder has agreed or shall agree to conditions of confidentiality with respect to the Entity's information. Further, KPMG is responsible to the Entity for causing such third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to the Entity for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by third party service providers shall be performed in accordance with the terms of this Engagement Letter, but KPMG shall remain responsible to the Entity for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws.

### 6. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at [www.kpmg.ca](http://www.kpmg.ca). KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement.

The Entity represents and warrants that (i) it will obtain any consents reasonably required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice of the potential processing of such personal information outside of Canada (as described in Section 5 above). KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

### 7. OFFERS OF EMPLOYMENT.

In order to allow issues of independence to be addressed, Management agrees that prior to extending an offer of employment to any KPMG partner, employee or contractor, the matter is communicated to the engagement partner or associate partner.

### 8. OFFERING DOCUMENTS.

If the Entity wishes to include or incorporate by reference the financial statements and our report thereon in an offering document, we will consider consenting to the use of our report and the terms thereof at that time. Nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in offering documents. If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s) in an offering document, or wishes us to provide a comfort or advice letter, we will be required to perform procedures as required by professional standards; any agreement to perform such procedures will be documented in a separate engagement letter. Management agrees to provide us with adequate notice of the preparation of such documents.

### 9. FEE AND OTHER ARRANGEMENTS.

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Entity on a timely basis if these factors are not in place. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Entity and KPMG agree to revise the estimated fee. No significant additional work will proceed without Management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services KPMG will review with the Entity any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. Our professional fees are also subject to a technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel, which are not included in our client service personnel fee. The technology and support fee covers costs such as our client service personnel computer hardware and customized KPMG





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software, telecommunications equipment, printing of financial statements and reports, client service professional administrative support, IT programming professional services and other client support services. Other disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in this letter.

Canadian Public Accountability Board (CPAB) participation fees, when applicable, are charged to the Entity based on the annual fees levied by CPAB.

To the extent that KPMG partners and employees are on the Entity's premises, the Entity will take all reasonable precautions for the safety of KPMG partners and employees at the Entity's premises.

### 10. LEGAL PROCESSES.

a. The Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to hereby acknowledge that KPMG may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including (without limitation) working papers and other work-product relating to the affairs of the Entity, its subsidiaries and affiliates; which information and documents may contain confidential information of Entity. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of KPMG's audit of the Entity, KPMG will advise the Entity of the request or order. The Entity hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from, the Entity, its subsidiaries and affiliates. The Entity must mark any document over which it asserts privilege as "privileged". When such an authority requests access to KPMG's working papers and other work-product relating to the Entity's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which the Entity has expressly informed KPMG at the time of delivery that the Entity asserts privilege (by the Entity marking such document as "privileged" as contemplated in the foregoing sentence). Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of the Entity is required for such disclosure, then the Entity hereby provides its consent.

Where privileged Entity documents are disclosed by KPMG as contemplated above, KPMG is directed to advise the authority that the Entity is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that the Entity does not intend to waive privilege for any other purpose and that the Entity expects its documents to be held by the authority as privileged and confidential material. For greater certainty, the Entity and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and the Entity expressly relies upon the privilege protections afforded under statute and otherwise under law.

The Entity agrees to reimburse KPMG, upon request, at standard billing rates for KPMG's professional time and expenses, including reasonable legal fees, expenses and taxes, incurred in dealing with the matters described above.

b. The Entity agrees to notify KPMG promptly of any request received by Entity from any court or applicable regulatory authority with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Entity shall reimburse KPMG at standard billing rates for professional time and expenses, including, without

limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance.

c. If the Entity requests that KPMG produce documents or personnel as witnesses in any proceedings in any way related to the engagement or services provided by KPMG hereunder and KPMG is not a party to such proceedings, KPMG may agree to produce documents or personnel as witnesses on such terms and conditions as KPMG may, in its sole discretion, determine. Without limiting the generality of the foregoing, the Entity shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes incurred in responding to such Entity requests.

### 11. KPMG INTERNATIONAL MEMBER FIRMS.

The Entity agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms participating in this engagement or such third party service providers referred to in Section 5 above.

### 12. CONNECTING TO THE ENTITY'S IT NETWORK.

KPMG personnel are authorized to connect their computers to the Entity's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Entity's IT Network or the Internet via the Network, while at the Entity's premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

### 13. DELIVERABLES OR COMMUNICATIONS.

KPMG may issue other deliverables or communications as part of the services described in this Engagement Letter. Such other deliverables or communications may not be included in, summarized in, quoted from or otherwise used or referred to, in whole or in part, in any public documents or public oral statement.

KPMG expressly does not consent to the use of any communication, report, statement or conclusion prepared by us on the interim financial statements. Further any such communication, report, statement or conclusion on the interim financial statements may not be included in, summarized in, quoted from or otherwise used in any public document or public oral statement except when the interim review conclusion contains a modified conclusion as explained below.

If the interim review conclusion is modified relating to a departure from the applicable financial reporting framework, which is not as a result of an exemption permitted by securities legislation, you agree that our interim review report will accompany the interim financial statement.

### 14. LIMITATION ON WARRANTIES

**THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 1, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**

### 15. LIMITATION ON LIABILITY AND INDEMNIFICATION

a. Subject to Section 1: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. Subject to Section 1, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 1: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits





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and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 15, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 15 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

### 16. ALTERNATIVE DISPUTE RESOLUTION.

The parties shall, and shall cause both their and their respective subsidiaries', affiliates' and associated entities' current and former officers, partners, directors, employees, agents and representatives, to first attempt to settle any dispute arising out of or relating to this Engagement Letter or the services provided hereunder (the "Dispute") through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the Dispute. In the event that the parties are unable to settle or resolve a Dispute through negotiation within 30 days of when one of the parties has notified the other party of the Dispute by delivering a notice of dispute, or such longer period as the parties may mutually agree upon, such Dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. that are in force at the time the notice of dispute is delivered. Any Dispute remaining unresolved for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be resolved by arbitration pursuant to the Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules") that are in force at the time the Dispute is subject to arbitration. For certainty, the parties hereby waive any right they may otherwise have to bring a court action in connection with a Dispute. The parties also waive any right they may otherwise have to bring or participate in a class, collective, or representative proceeding in connection with a Dispute, whether in court or before an arbitrator. The arbitrator's decision shall be final, conclusive and binding upon the parties, and the parties shall have no right to appeal or seek judicial review of the arbitrator's decision. For certainty, the parties hereby waive any right of appeal which may otherwise be available under applicable legislation or under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.

### 17. LIMITATION PERIOD

Subject to Section 1, no proceeding arising under or relating to the engagement may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement, except that a proceeding for non-payment may be brought by KPMG at any time following the date of the last payment due to KPMG hereunder. For purposes of this Section 17, the term "KPMG" shall include its subsidiaries and associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives.

### 18. COMMENT LETTERS OR EQUIVALENT.

Management agrees to promptly provide us with a copy of any comment letter or request for information issued by a relevant securities regulatory authority on the Entity's continuous disclosure filings or equivalent. If any of the comments pertain to the Entity's financial statements and, when applicable, Management's assessment of the effectiveness of internal control over financial reporting, Management and those charged with governance agree to engage our assistance, subject to any pre-approval process, in the process of responding to such comments.

### 19. PUBLIC DOCUMENTS OR EQUIVALENT.

Except as otherwise specifically agreed in this Engagement Letter, nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in any "document" or "public oral statement" (as those terms are defined in section 138.1 of the Securities Act (Ontario)), including but not limited to when:

(i) the Entity files with securities regulatory authorities its annual financial statements and KPMG's audit report thereon;

- (ii) the Entity files with securities regulatory authorities its Management's Discussion and Analysis in connection with the material in (i) above;
- (iii) the Entity files with securities regulatory authorities any other continuous disclosure document containing, or incorporating by reference, the annual financial statements and KPMG's audit report thereon (e.g., Annual Reports on Form 40-F or 20-F or 10-K filed on SEDAR).

If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s), we will be required to perform procedures as required by professional standards. Except as otherwise specifically agreed in this Engagement Letter, any agreement to perform procedures necessary to provide KPMG's written consent or any agreement to read any other document issued by the Entity will be a separate engagement.

### 20. POTENTIAL CONFLICTS OF INTEREST

a. KPMG is engaged by a wide variety of entities and individuals, some of whom may be creditors, investors, borrowers, shareholders, competitors, suppliers or customers of Entity, or other parties with conflicting legal and business interests to Entity, including, without limitation, in relation to the audit, tax or advisory services provided to Entity by KPMG. KPMG's engagements with such companies and individuals may result in a conflict with Entity's interests.

b. As a condition of KPMG's engagement by Entity, Entity agrees that: (i) without further notice or disclosure, KPMG may accept or continue engagements on unrelated matters to KPMG's engagement for Entity in which KPMG may act contrary to Entity's interests even if those unrelated matters are materially and directly adverse to Entity; and (ii) without further notice or disclosure, KPMG may provide advice or services to any other person or entity making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

c. In accordance with professional standards, and except as set out below, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls. In no event shall KPMG be liable to Entity or shall Entity be entitled to a return of fees and disbursements incurred on behalf of Entity or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement.

d. Entity further agrees that KPMG may, in its sole discretion, disclose the fact or general nature of its engagement for Entity to (i) KPMG International and other KPMG International member firms in order to check against potential conflicts of interest, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. Where another party has engaged KPMG to deliver services before Entity has done so, and subsequently circumstances change such that there is a conflict, which in KPMG's sole opinion cannot be adequately managed through the use of confidentiality and other safeguards, KPMG shall be entitled to terminate the engagement for Entity, without liability, immediately upon notice.

f. Other KPMG International member firms are engaged by many entities and individuals, including, without limitation, entities and individuals that may enter into transactions or may have disputes with Entity or Entity's related or affiliated entities. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

g. Subject to Section 1, Entity will indemnify and hold harmless KPMG, its subsidiaries and associated and affiliated entities, and their respective current and former partners, directors, officers, employees, agents and representatives from any claims, actions, damages, complaints, demands, suits, proceedings, liabilities, fines, penalties, costs, expenses or losses by any third party (including, without limitation, reasonable legal fees) that alleges that KPMG was in a conflict of interest by providing services hereunder. The provisions of this subsection 20(g) shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.



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h. KPMG encourages Entity to obtain legal advice with respect to Entity's rights in connection with potential future conflicts prior to entering into the engagement.

### **21. LOBBYING**

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.

### **22. SURVIVAL**

All sections hereof other than Section 12 shall survive the expiration or termination of the engagement.