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March 17, 2017

Delivered by Email

Jay Shepherd P.C.
Jay Shepherd Professional Corporation
2200 Yonge Street, Suite 1302
Toronto, Ontario
M4S 2C6

Dear Mr. Shepherd:

**Re: InnPower Corporation (“InnPower”)
2017 COS Application (Board File No. EB-2016-0085)**

I am writing on behalf of my client, InnPower, to acknowledge receipt of your letter dated March 7, 2017.

We would like to begin by thanking you for bringing your concerns to our attention. While we may not necessarily agree on all matters, we appreciate the opportunity to consider the issues you have raised and to address them.

Your letter raises two key issues. We will address each in-turn.

1. Alleged non-compliance with the approved settlement agreement in EB-2014-0086

For the purposes of settlement in EB-2014-0086 the Parties agreed to reduce the **ICM capital amount** by \$2.35M to \$10.9M.

This is noted at pg. 8 of the Board’s decision:

*“For the purposes of settlement, the Parties agreed to reduce the **ICM capital amount** by \$2.35M from \$13.2M to \$10.9M. The resulting revenue requirement of \$845,836 would be collected **through an ICM rate rider, in place until Innisfil Hydro’s next cost of service application.**”*

And again at pg. 5 of the settlement agreement:

*“For the purposes of settlement, the Parties have agreed to reduce the **capital amount in the ICM** by \$2.35M to \$10.9M.”*

And again at pg. 9 of the settlement agreement:

*“For the purposes of settlement, the Parties agree to **an incremental capital reduction** of \$2,350,000 **from the submitted capital amount** of \$13,246,704.”*

There is nothing in the Board's decision or the approved settlement agreement that suggests that the Parties also agreed to a reduction in actual rate base in perpetuity going forward. Rather, the settlement is clearly limited to the ICM capital amount.

We note that pg. 8 of the settlement agreement also provides:

“For the purposes of reaching a complete settlement, and subject to the changes agreed to by the Parties and set out in this Settlement Proposal, the Parties agree that the proposed ICM for a new Corporate Headquarters and Operations Centre meets the Board's requirement for need, materiality, and prudence.”

And:

“1a) Need

For the purposes of settlement, the Parties accept that IHDSL requires a new Corporate Headquarters and Operations Centre. IHDSL's current administration and operations facilities are no longer sufficient due to:

- *Accessibility, and health and safety issues for IHDSL's customers and staff;*
- *Environmental concerns caused by extreme weather conditions; and*
- *Lack of appropriate space for current staff, and requirements for future to accommodate IHDSL long-term customer growth.*

The proposed facility, a Corporate Headquarters and Operations Centre, is a discrete project and subject to the proposed changes in issue 2a), is outside of the rate base upon which IHDSL's rates were derived.”

InnPower's interpretation of this is that the Board's approval of the EB-2014-0086 settlement means that the questions of need and the prudence of \$10.9M are not at issue in this proceeding.

2. Other revenues

InnPower confirms that there are amounts included in the forecast of other revenues that arise due to the leasing / sharing of space with third parties. I understand that the individual amounts may be less than the materiality threshold for InnPower. If you believe that additional information would benefit the evidentiary record, I would ask that you raise this question as an interrogatory during the discovery process for this application.

Yours very truly,

BORDEN LADNER GERVAIS LLP

Per:

Original signed by John A.D. Vellone

John A.D. Vellone

CC: Kirsten Walli, Board Secretary, Ontario Energy Board

Walter Malcom, Jennifer Cowles and Brenda Pinke, InnPower Corporation