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September 30, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Audit Review of EnWin's 2008 Deferral and Variance Account Balances -
EnWin Application EB-2011-0276**

The Regulatory Audit and Accounting group (the "Regulatory Audit") of the Ontario Energy Board (the "Board") issued an engagement letter on July 5, 2011 regarding an audit review of EnWin Utilities Ltd. ("EnWin") deferral and variance account (DVA) balances. The objective of the audit review was to determine whether accounting policies and procedures related to these accounts are properly and consistently applied and the balances reported to the Board are in accordance with the Accounting Procedures Handbook (APH), Reporting and Record-keeping Requirements (RRR), and related guidelines.

In EnWin's March 31, 2010 IRM Decision and Order (EB-2009-0221), the Board was concerned that there were differences between the account balances sought for disposition in EnWin's application and the account balances reported in EnWin's financial statements under the RRR. Generally, the account balances sought for disposition are expected to match and/or reconcile with the reported balances in the RRR and the audited financial statements. The Board approved the disposition of Enwin's December 31, 2008 Group 1 DVA balances and projected interest to April 30, 2010 as reported by EnWin, but not on a final basis. The Board directed EnWin to bring forward to the Board any adjustments to the 2008 Group 1 DVA balances in its next rate proceeding.

In EnWin's October 29, 2010 IRM Rate Application (EB-2010-0079), EnWin did not file evidence in respect of the 2008 Group 1 DVA balances with its original evidence. In its Decision and Order, the Board directed EnWin to file a separate application to dispose

of the December 31, 2008 Group 1 DVA balances on a final basis. The Board ordered that this issue be resolved prior to EnWin's next rate proceeding, regardless of whether it is an IRM or a cost of service application. In its Decision and Order in EB-2010-0079, the Board approved EnWin's proposed balances for Group 1 DVA balances and stated that the December 31, 2009 balances and projected interest up to April 30, 2011 were considered final, conditional upon any adjustments, if necessary, to EnWin's December 31, 2008 Group 1 DVA balances.

On July 26, 2011, EnWin filed the standalone EDDVAR application (EB-2011-0276), per the Board's Decision and Order in EB-2010-0079, seeking a final review and disposition of December 31, 2008 Group 1 DVA balances on an expedited basis in order to facilitate the resolution of this matter prior to EnWin's next rate application filing, which is scheduled for November 25, 2011.

On August 11, 2011, the Board issued a letter to EnWin stating that,

The Board recognizes that EnWin filed this application in response to a Board direction in EnWin's 2011 IRM application to resolve this matter in advance of EnWin's next rate application. However, the Board's Regulatory Audit group issued an audit review engagement letter, dated July 5, 2011. The Board is of the view that it would be appropriate to wait for the outcome of that review before proceeding with the review of EnWin's current application and as such the application will be held in abeyance until the completion of the audit.

Regulatory Audit has now completed its audit review of EnWin's DVA balances as of December 31, 2008. This review has found no issues from Regulatory Audit's perspective that would materially impact the 2008 DVA balances. Regulatory Audit examined the reasons for the difference between the amount sought for disposition in EnWin's EB-2009-0221 application and the balances reported in EnWin's RRR for DVA balances as of December 31, 2008. Regulatory Audit notes that EnWin elected to use the "billed" method for the Retail Settlement Variance Accounts (RSVAs), as permitted in the APH. The difference is as a result of EnWin's recording accounting entries throughout the year using the "billed" method for the regulatory accounting treatment of the RSVAs and recording year-end accrual entries (i.e., for the month of December) for the purpose of preparing its audited financial statements. Accordingly, this difference is attributable mainly to accounting entries that were made for the accruals (under the "accrual" method) of expenses (i.e. IESO settlement invoice) and unbilled revenue for purpose of the 2008 financial statements. Therefore, with respect to the account balances sought for disposition under the "billed" method, Regulatory Audit does not see a need for EnWin to make any adjustments to its December 31, 2008 Group 1 DVA balances since the balances have been reconciled to the figures reported in RRR and audited financial statements.

The observations discussed in this letter represent the views of Regulatory Audit and are not binding on the Board.

I wish to thank the EnWin's staff for the assistance and support provided to us during this audit review.

Please forward this letter to EnWin and all parties in this proceeding.

Yours truly,

Original signed by

Daria Babaie, *P. Eng., CMA*
Manager, Regulatory Audit & Accounting

c.c. Theodore Antonopoulos, Ontario Energy Board
Andrew J. Sasso, EnWin Utilities Ltd.
Michael Buonaguro, VECC