



**EB-2011-0276**

**IN THE MATTER OF** the *Ontario Energy Board Act*,  
1998, S.O. 1998, c.15 (Schedule B);

**AND IN THE MATTER OF** an application by EnWin  
Utilities Ltd. for an order or orders approving disposition  
of 2008 Group 1 deferral and variance account balances  
on a final basis.

**BEFORE:** Cynthia Chaplin  
Vice-Chair and Presiding Member

### **DECISION AND FINAL ORDER**

EnWin Utilities Ltd. ("EnWin"), a licensed distributor of electricity, filed an application with the Ontario Energy Board (the "Board") on July 26, 2011, seeking a review and disposition of December 31, 2008 Group 1 deferral and variance account balances on a final basis. EnWin also sought an expedited proceeding in order to facilitate the resolution of this matter prior to EnWin's next rate application filing, which is scheduled for November 25, 2011. The Board assigned the application file number EB-2011-0276.

### **Background**

EnWin originally applied for disposition of its 2008 Group 1 balances in EnWin's 2010 IRM application (EB-2009-0221). The combined total of Group 1 account balances was a credit of \$5,715,253, which included a credit balance of \$1,532,740 in the 1588 global adjustment sub account. EnWin included interest on these account balances using the Board's prescribed interest rates to April 30, 2010. EnWin's account balances as at December 31, 2008 plus projected carrying charges to April 30, 2010, are shown below.

Account Description	Account Number	Principal Amounts A	Interest Amounts B	Total Claim C = A + B
LV Variance Account	1550	0	0	0
RSVA - Wholesale Market Service Charge	1580	(1,390,017 )	119,372	(1,270,645 )
RSVA - Retail Transmission Network Charge	1584	(1,041,233 )	(30,886 )	(1,072,119 )
RSVA - Retail Transmission Connection Charge	1586	(347,535 )	(81,149 )	(428,684 )
RSVA - Power (Excluding Global Adjustment)	1588	(1,258,998 )	297,233	(961,765 )
RSVA - Power (Global Adjustment Sub-account)	1588	(1,167,524 )	(365,216 )	(1,532,740 )
Recovery of Regulatory Asset Balances	1590	(2,236,638 )	1,787,338	(449,300 )
		<u>(7,441,945 )</u>	<u>1,726,692</u>	<u>(5,715,253 )</u>

In its decision on that application the Board made the following finding:

The Board is however concerned about the difference between the amount sought for disposition and the balances reported in EnWin's audited financial statements. The Board will approve the disposition of the December 31, 2008 balances and projected interest to April 30, 2010 as reported by ENWIN but not on a final basis. Any adjustment to the 2008 Group 1 account balances shall be brought forward to the Board in EnWin's next rate proceeding.

Consequently, the Board approved rate riders to dispose of the 2008 balances over a one year period. The riders were in effect from May 1, 2010 to April 30, 2011.

EnWin interpreted the Board's direction to mean that the 2008 Group 1 DVA balances would be an issue in EnWin's next cost of service rate application ("CoS") arguing that CoS applications are intended for more detailed reviews as opposed to IRM applications which are more mechanistic in nature. Consequently, EnWin's 2011 IRM Application (EB-2010-0079) did not contain any information regarding the 2008 Group 1 account balances.

In EnWin's 2011 IRM decision, dated April 7, 2011, the Board found that EnWin ought to have interpreted "next rate proceeding" as applying to its 2011 rate application, regardless of whether it was IRM or CoS. The Board directed EnWin to "file a separate application to dispose of the December 31, 2008 Group 1 Deferral and Variance account balances on a final basis. "The Board further ordered that" this issue is to be resolved prior to EnWin's next rate proceeding, regardless of whether it is an IRM or cost of service application."

## The Application

EnWin proceeded to file the subject (stand-alone) application on July 26, 2011. In the current application, EnWin reaffirmed the 2008 Group 1 balances as filed in EnWin's 2010 IRM application (EB-2009-0221) and did not propose to make any adjustments to the balances. Additionally, EnWin did not seek any rate riders or other changes to rates in this proceeding as the original balances were disposed as part of the 2010 IRM process.

EnWin submitted that the notice required for this proceeding should be limited to providing notice to the Vulnerable Energy Consumers Coalition ("VECC"), providing notice on the EnWin website, and making a copy of the Application available at EnWin's head office. VECC was the only party to intervene in either EB-2009-0221 or EB-2010-0079. EnWin submitted that any party with an interest in this issue would have participated in at least one of the aforementioned proceedings<sup>1</sup>.

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

The Board was of the view that it would be appropriate to wait for the outcome of the audit review before proceeding with the review of EnWin's current application and as such it was decided that the application would be held in abeyance until the completion of the audit. Consequently, the Board did not initially make a decision on the type of notice requirement, if any. EnWin was notified that its application would be held in abeyance until the completion of the audit through a letter, issued August 11, 2011.

On September 30, 2011, the Board's Regulatory Audit group issued a letter to EnWin confirming that it had completed its audit review of EnWin's deferral and variance account balances as of December 31, 2008. This review found no issues from Regulatory Audit's perspective that would materially impact the 2008 balances. Regulatory Audit examined the reasons for the difference between the amount sought

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<sup>1</sup> EB-2011-0276 Application, Page 4

for disposition in EnWin's EB-2009-0221 application and the balances reported in EnWin's RRR for deferral and variance account balances as of December 31, 2008. Regulatory Audit noted 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 deferral and variance account balances since the balances have been reconciled to the figures reported in RRR and audited financial statements.

With respect to proceeding with this application, Section 21(4)(b) of the *Ontario Energy Board Act, 1998* allows the Board to "dispose of a proceeding without a hearing if the Board determines that no person, other than the applicant, appellant or licence holder will be adversely affected in a material way by the outcome of the proceeding and the applicant, appellant or licence holder has consented to disposing of a proceeding without a hearing<sup>2</sup>."

The Board notes that on October 11, 2011, EnWin filed a letter with the Board stating that "given the work completed by the Board's Regulatory Audit group and its findings, EnWin requests that this matter now be disposed of without a hearing".

### **Board Findings**

The Board finds that no person will be adversely affected in a material way by the outcome of the proceeding and since the applicant has consented to disposing of this proceeding without a hearing, the Board has decided to do so.

The Board notes that, in this proceeding, the focus was on finalizing disposition for account balances and also notes that EnWin did not seek any rate riders or other

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<sup>2</sup> Ontario Energy Board Act (1998), section 21(4)(b).

changes to rates in this proceeding as the balances had already been disposed. Based on the audit review results as determined by the Board's Regulatory Audit group, the Board finds that EnWin's December 31, 2008 deferral and variance account balances as re-filed in this proceeding are reasonable.

**THE BOARD ORDERS THAT:**

1. EnWin's December 31, 2008 deferral and variance account balances are approved on a final basis. EnWin's current rate order can be considered final.

**DATED** at Toronto, October 14, 2011

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary