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BY E-MAIL

July 26, 2016

Brenda L. Pinke
InnPower Corporation
7251 Yonge Street
Innisfil, ON L9S 0J3

Dear Ms. Pinke:

**Re: InnPower Corp. (InnPower)
Application for Rates
Board File Number EB-2016-0085**

InnPower filed a rate application on June 3, 2016 and June 5, 2016, with subsequent updates to the evidence on June 9. InnPower stated that it was filing its application under the Custom Incentive Rate-setting (Custom IR) option.

As outlined in the OEB's October 18, 2012 report, *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* (RRFE Report), a distributor's rates under the Custom IR option are to be set using a custom index whose annual adjustment mechanism is to be informed by: (1) the distributor's forecasts, (2) the OEB's inflation and productivity analyses and (3) benchmarking to assess the reasonableness of the distributor's forecasts. The RRFE Report also states that a distributor that applies under the Custom IR method is expected to "file robust evidence of its cost and revenue forecasts over a five year horizon."

A preliminary review of the application has identified that certain sections of the evidence supporting the application are insufficient to enable further processing of your application at this time.

InnPower's application seeks approval for rates based on cost of service forecasts for each year over the 2017-2021 period. InnPower has not proposed a custom index consistent with the OEB's expectations for a Custom IR application and has provided neither benchmarking information nor sufficiently robust evidence to support the reasonableness of its forecasts.

As part of its review, the OEB also considered whether, as filed, the application met the requirements of a cost of service application, and therefore could proceed on that basis. The OEB has concluded that the application also does not meet requirements for completeness as set out in Chapter 2 of the *Filing Requirements for Electricity Distribution Rate Applications*.

In order to proceed with the review of InnPower's Custom IR application, the OEB requires InnPower to update and re-file its application to provide sufficient evidence to satisfy OEB requirements, including a custom index supported by benchmarking.

Alternatively, InnPower may consider converting its application to a single-year cost of service application based on a forward test year under the Price Cap IR method outlined in the RRFE Report (previously referred to as 4th Generation IR). The OEB notes that under the Price Cap IR framework, InnPower would have recourse to the Advanced Capital Module for the approval of any discrete, material capital projects in future years that are identified in its Distribution System Plan.

Should InnPower convert to a single-year cost of service application, the OEB notes that InnPower's current evidence would also require additional information. For example, historical and forecast OM&A costs must be provided at a greater level of detail (i.e. at the OM&A program level) and all applicable Appendices from Chapter 2 of the *Filing Requirements for Electricity Distribution Rate Applications* would need to be completed.

The OEB's review process will not commence until a complete application is filed.

Please direct any questions relating to this application to Stephen Vetsis, Advisor at 416-544-5182 or Stephen.Vetsis@ontarioenergyboard.ca.

Yours truly,

Original Signed By

Kristi Sebalj
Registrar