

**John A.D. Vellone**  
T 416.367.6730  
F 416.367.6749  
jvellone@blg.com

**Flora Ho**  
T 416.367.6581  
F 416.367.6749  
fho@blg.com

Borden Ladner Gervais LLP  
Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada M5H 4E3  
T 416.367.6000  
F 416.367.6749  
blg.com



June 11, 2019

**Delivered by Email, RESS & Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
Suite 2701  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: OEB File No. EB-2019-0032  
ENWIN Utilities Ltd. Application for Approval of Distribution Rates and  
Other Charges Effective January 1, 2020  
Updated Evidence**

**Background**

At the time of filing its cost of service application (EB-2019-0032), ENWIN included the following evidence in Section 9.1 of Exhibit 9:

“Section 2.9.3 of the Filing Requirements states, when describing disposition of deferral and variance accounts, that applicants must “Provide a statement that the balances proposed for disposition before forecasted interest are consistent with the most current audited financial statements and provide explanations for any variances.”<sup>1</sup> At the time of filings this Application, no audit opinion of ENWIN’s DVAs was available. As such, the DVA balances are considered draft at this time. ENWIN will provide the OEB with the audit opinion related to its DVAs as soon as it is available.”

ENWIN has now received its audit opinions from KPMG on the Group 1 and Group 2 deferral and variance account balances. ENWIN is therefore filing these audit opinions in order to add it to the evidence in the cost of service application proceeding.

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<sup>1</sup> Ontario Energy Board, *Filing Requirements for Electricity Distribution Rate Applications – 2018 Edition for 2019 Rate Applications – Chapter 2 Cost of Service*, dated July 12, 2018, Section 2.9.3 Disposition of Deferral and Variance Accounts.

The audit opinions demonstrate that the Group 1 and Group 2 account balances were prepared in all material respects, in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance and Frequently Asked Questions issued by the Ontario Energy Board from time to time.

#### Group 1 Deferral and Variance Accounts

For Group 1 accounts, the 2018 audited balances match what ENWIN filed in Exhibit 9 and the Deferral and Variance Account Work form (“DVA Work Form”) of its cost of service application, and what was filed as part of the 2018 Electricity Reporting & Record Keeping Requirements (“RRR’s”).

#### Group 2 Deferral and Variance Accounts

For Group 2 accounts, there are some differences between the 2018 audited balances, and what ENWIN filed in Exhibit 9 and the DVA Work Form of its cost of service application which are outlined, below:

1. For Account 1575 IFRS-CGAAP Transitional PP&E Amounts, ENWIN originally filed Appendix 2-EA using 2018 forecast values. The value included in KPMG's audit report represents actual values for 2018. ENWIN is working on updating Appendix 2-EA with 2018 actuals and will be prepared to file this updated information during interrogatory responses.
2. For Account 1592 PILs and Tax Variances for 2006 and Subsequent Years, Sub-account HST / OVAT Input Tax Credits, KPMG did not include the (\$3,902,465) principal plus (\$205,528) carrying charges for a total of (\$4,107,994) in its report. This account is unique in terms of how the DVA Work Form functions and the accounting treatment for this account contained in the Accounting Procedures Handbook. In the RRR filing, this HST sub-account of 1592 nets to zero. That is why it is not on the audit report - the sub-account is 0. The DVA Work Form, however, assumes that half of the balance is recoverable to electricity ratepayers. As it states in Article 220 of the Accounting Procedures Handbook, in reference to this sub-account of 1592:

“Effective on July 1, 2010, distributors shall record the incremental ITC they receive on distribution revenue requirement items that were previously subject to PST and become subject to HST. Tracking of these amounts will continue in this deferral account until the effective date of distributors’ next cost of service rate order. 50 per cent of the confirmed balance in this account shall be returnable to the ratepayers.”<sup>2</sup>

As such, there is a difference between how the accounting guidance works and how the values are filed for continuity purposes. Again that is why there is a variance on the DVA Work Form (see column BV of the DVA Work Form).

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<sup>2</sup> Ontario Energy Board, *Accounting Procedures Handbook for Electricity Distributors*, dated January 1, 2012, Article 220, page 39.

3. There is no treatment in the KPMG audit report for Account 1522 (Pension and OPEB). That entry was posted in 2019 so could not be included in the report (agrees to the 2018 RRRs which were filed). That is why on the DVA Work Form there is a variance showing relating to this account (column BV). The KPMG audit report agrees to the RRR.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

Per:

*Original signed by John A.D. Vellone*

John A.D. Vellone

Encl.

cc: Paul Gleason, ENWIN Utilities Ltd.  
Intervenors on record for EB-2019-0032

Schedule of Group 1 Accounts of

**ENWIN UTILITIES LTD.**

Year ended December 31, 2018



KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton Ontario L8P 4W7  
Canada  
Telephone (905) 523-8200  
Fax (905) 523-2222

## **INDEPENDENT AUDITORS' REPORT**

To the management of Enwin Utilities Ltd. And the Ontario Energy Board

### ***Opinion***

We have audited the accompanying schedule of Group 1 regulatory balances of Enwin Utilities Ltd. (the entity) as at December 31, 2018 and notes to the schedule including a summary of significant accounting policies (Hereinafter referred to as the "schedule").

In our opinion, the accompanying schedule as at December 31, 2018 of the Entity is prepared, in all material respects, in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance and Frequently Asked Questions issued by the Ontario Energy Board from time to time.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Schedule" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the schedule in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 1 in the schedule, which describes the applicable financial reporting framework.

The schedule is prepared to assist the Entity with the rate filing for recovery of the Group 1 regulatory balances.

As a result, the schedule may not be suitable for another purpose. Our opinion is not modified in respect of this matter



### ***Other Matter – Restriction on Use***

Our report is intended solely for management and the Board of Directors of the Entity and the OEB and should not be used by other parties.

### ***Responsibilities of Management and Those Charged with Governance for the Schedule***

Management is responsible for the preparation of the schedule in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance and Frequently Asked Questions issued by the Ontario Energy Board from time to time, and for such internal control as management determines is necessary to enable the preparation of a schedule that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the schedule.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the text is a long, horizontal, slightly wavy line that serves as a flourish or underline.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 31, 2019

# ENWIN UTILITIES LTD.

## Schedule of Group 1 Accounts

Year ended December 31, 2018

Account Name	Account Number	Principal	Interest	Total
Smart Metering Entity Charge Variance Account	1551	(92,185.21)	(1,197.32)	(93,382.53)
RSVA – Wholesale Market Service Charge	1580	(2,698,988.82)	(75,634.02)	(2,774,622.84)
Variance WMS – Sub account CBR Class B	1580	(60,640.04)	553.89	(60,086.15)
RSVA – Retail Transmission Network Charge	1584	1,562,174.64	22,182.22	1,584,356.86
RSVA – Retail Transmission Connection Charge	1586	1,140,047.56	15,238.56	1,155,286.12
RSVA – Power	1588	(388,811.06)	(57,284.51)	(446,095.57)
RSVA – Global Adjustment	1589	(1,130,464.96)	58,543.59	(1,071,921.37)
Disposition and Recovery/ Refund of Regulatory Balances (2014 & 2015)	1595	-	(291,330.23)	(291,330.23)
Disposition and Recovery/ Refund of Regulatory Balances (2016)	1595	132,513.22	34,928.73	167,441.95



# ENWIN UTILITIES LTD.

Notes to the Schedule of Group 1 Accounts

Year ended December 31, 2018

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## 1. Summary of significant accounting policies:

The schedule has been prepared in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance and Frequently Asked Questions issued by the Ontario Energy Board from time to time.

### (a) Customer billings:

Customer billings are recognized in the variance accounts when earned that is as the electricity is delivered to the customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the period.

### (b) Expenditures:

Cost of power and global adjustment costs are recorded on the basis of power used.

### (c) RPP versus Non-RPP Customers:

The global adjustment charge is split between RPP and Non-RPP customers on the basis of kilowatt hours used by the respective customer.

Schedule of Group 2 Accounts of

**ENWIN UTILITIES LTD.**

As at December 31, 2018



KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton Ontario L8P 4W7  
Canada  
Telephone (905) 523-8200  
Fax (905) 523-2222

## **INDEPENDENT AUDITORS' REPORT**

To the management of Enwin Utilities Ltd. And the Ontario Energy Board

### ***Opinion***

We have audited the accompanying schedule of Group 2 regulatory balances of Enwin Utilities Ltd. (the Entity) as at December 31, 2018 and notes to the schedule including a summary of significant accounting policies (Hereinafter referred to as the "schedule").

In our opinion, the accompanying schedule as at December 31, 2018 of the Entity is prepared, in all material respects, in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance and Frequently Asked Questions issued by the Ontario Energy Board from time to time.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Schedule" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the schedule in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

### ***Emphasis of Matter – Financial Reporting Framework***

We draw attention to Note 1 in the schedule, which describes the applicable financial reporting framework.

The schedule is prepared to assist the Entity in the rate filing for recovery of the Group 1 regulatory balances.

As a result, the schedule may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

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***Auditors' Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the schedule.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 31, 2019

# ENWIN UTILITIES LTD.

## Schedule of Group 2 Accounts

As at December 31, 2018

Account Name	Account Number	Principal	Interest	Total
Other Regulatory Assets	1508	\$902,145.35	\$64,506.26	\$966,651.61
RCVA Retail	1518	290,616.04	22,308.13	312,924.17
Smart Grid Capital Deferral Account	1534	52,561.81	1,342.30	53,904.11
Smart Grid Capital OM&A Account	1535	360,281.72	25,939.67	386,221.39
RCVA STR	1548	(28,470.07)	(2,890.26)	(31,360.33)
Smart Meter Capital and Recovery Offset Variance	1555	472,491.35	15,817.97	488,309.32
MIST Meter Deferral Account	1557	653,781.55	4,308.29	658,089.84
LRAM Variance Account	1568	2,613,284.77	103,079.22	2,716,363.99
Deferred Rate Impact Amounts	1574	271,150.59	45,340.83	316,491.42
IFRS-CGAAP Transitional PP&E Amounts	1575	(21,594,606.03)	-	(21,594,606.03)
PLS & Tax Variance	1592	(337,345.75)	(69,852.14)	(407,197.89)

# ENWIN UTILITIES LTD.

Notes to the Schedule of Group 2 Accounts

As at December 31, 2018

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## 1. Summary of significant accounting policies:

The schedule has been prepared in accordance with Article 490 of the Accounting Procedures Handbook for Electricity Distributors as published by the Ontario Energy Board effective January 1, 2012 and Guidance and Frequently Asked Questions issued by the Ontario Energy Board from time to time.

### (a) Customer billings:

Customer billings are recognized in the variance accounts when earned that is as the electricity is delivered to the customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the period.

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