



Ontario
Energy
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de l'énergie
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BY E-MAIL

April 9, 2019

Brenda Pinke
Regulatory/Conservation Manager
InnPower Corporation
7251 Yonge Street
Innisfil, ON L9S 0J3
regulatoryaffairs@innpower.ca

Dear Ms. Pinke:

Re: Audit of Affiliate Transactions

In the Decision and Order of the Ontario Energy Board (OEB) in InnPower Corporation's last cost-of-service proceeding, the OEB stated that it would "undertake an audit of InnPower's affiliate transactions to ensure its allocation of costs and approach to costing and applicable revenue complies with the *Affiliate Relationships Code* [ARC]".¹ The Decision and Order further directed InnPower to create two new variance accounts effective January 1, 2018 – one to record the difference between the approved forecast affiliate revenues of \$757,539 and "appropriate actual" revenues as determined as a result of the OEB audit, and the other to record the difference between the approved forecast affiliate expenses of \$704,939 and the fully-allocated costs as determined by the audit.

This is to confirm that the audit is complete. The OEB's Audit & Investigations staff reviewed InnPower's updated pricing and costing methodologies for affiliate services for 2017. Based on ARC-compliant cost allocations, OEB staff agreed that the appropriate affiliate revenues for 2017 were \$920,410 and the appropriate affiliate expenses were \$800,357. As a result, InnPower is expected to record \$162,871 in the variance account for affiliate revenues as of December 31, 2018, and \$95,418 in the variance account for affiliate expenses, as shown in the table below.

¹ Decision and Order, March 8, 2018 (EB-2016-0085), p. 17.

	Affiliate revenues	Affiliate expenses	Net affiliate revenues
Approved forecast from cost-of-service proceeding	\$757,539	\$704,939	\$52,600
Appropriate for 2017 based on ARC-compliant cost allocation	\$920,410	\$800,357	\$120,053
Difference to be recorded in variance accounts in 2018	\$162,871	\$95,418	\$67,453

The net impact is a credit amount of \$67,453 in additional revenue offsets. That amount will be refunded to customers, subject to OEB approval to dispose of the variance accounts in another proceeding.

We thank InnPower for its co-operation.

Yours truly,



Tony Stanco
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