



December 12, 2017

BY COURIER & RESS

Ms. Kirsten Walli, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 26th Floor, P.O. Box 2319
TORONTO, ON M4P 1E4

**Re: Kitchener-Wilmot Hydro Inc. – ED-2002-0573
2019 Cost of Service Delay**

Dear Ms. Walli:

Kitchener Wilmot Hydro Inc. (KWHI) last filed a Cost of Service (CoS) application in June 2013 for rates effective January 1, 2014 (EB-2013-0147). On December 29, 2015, the OEB issued a letter listing KWHI as a distributor scheduled to submit a CoS application in 2017 for rates effective January 1, 2018. On February 25, 2016 KWHI requested a deferral to January 1, 2019 rates, which was approved by the OEB on March 2, 2017.

KWHI is requesting to defer the setting of its rates on a CoS basis until January 1, 2020 in favour of using the Price Cap IR rate setting methodology for rates effective January 1, 2019.

The request for deferral for KWHI's next CoS application is based on several key factors including (i) existing rates, if increased by the Price Cap IR formula, are sufficient to maintain the high quality of service that our ratepayers expect; (ii) KWHI's scorecard performance is exemplary (Group 2 efficiency, among the lowest Total Cost per Customer in Ontario, a solid balance sheet and financial performance consistently within the 300 basis point deadband); (iii) a strong commitment to good corporate governance; and (iv) the desire to submit a high quality CoS application that is in conformance with the OEB's Renewed Regulatory Framework for Electricity Distributors.

Scorecard results

As can be seen by the table below, KWHI has satisfactory results in key scorecard metrics for financial performance and system reliability. KWHI also has demonstrated

consistently exemplary scorecard performance for operational effectiveness and cost control. In 2016, KWHI's total cost per customer was the sixth lowest in the province, and has maintained its stretch factor 2 ranking for the last five years. In 2015 and 2016, KWHI met all of its targets on the Scorecard. KWHI expects this trend to continue. Further, KWHI will continue to meet its financial obligations within the constraints of its current approved rates while remaining compliant with 4th Generation Price Cap IR. KWHI continues to maintain its distribution system to give its customers excellent reliability.

	Return on Equity		Reliability	
	Deemed	Achieved	SAIDI	SAIFI
2012	9.85%	10.91%	0.97	0.88
2013	9.85%	8.94%	0.87	0.69
2014	9.36%	10.87%	0.72	1.03
2015	9.36%	11.47%	0.57	0.77
2016	9.36%	10.18%	1.11	1.11

Corporate Governance

KWHI complies with corporate governance best practices. For example, and as shown in the table below:

1. KWHI has 7 members on its Board, 4 of which are independent of the shareholder, the utility and its affiliates.
2. KWHI has a skills based Board with a broad range of expertise including in the areas of finance, legal, marketing/communications, and project management.
3. The Board has adopted structures and protocols, including audit and HR & compensation committees, which also draws on the expertise of directors from Kitchener Power Corp.

KWHI			
Catherine Motz	Chair	Independent	Business Law, Lawyer
Richard Cantin	Vice-Chair	Independent	Marketing/Sales/Telecommunications Executive, Leadership
Berry Vrbanovic	Director	Not Independent	Mayor City of Kitchener
Les Armstrong	Director	Not Independent	Mayor Township of Wilmot
James Beingessner	Director	Independent	Finance/Business, MBA



Margaret Nanninga, MBA, CPA, CGA
Vice President Finance & CFO
T | 519-749-6177
F | 519-745-2360
mnanninga@kwhydro.ca

Sandra MacGillivray	Director	Independent	Business, MBA, Project Management
Jerry Van Ooteghem	President & CEO	Not Independent	CEO, Professional Engineer, ICD.D

Next Cost of Service Application

KWHI has reviewed the requirements for the next CoS application. The time and expense required to file a quality application is significantly more than in previous proceedings. At this time, KWHI feels that the prudent decision is to delay rebasing to provide sufficient time to prepare a high quality rate application.

KWHI continues to focus on preparing a quality application that will include:

- Business Plan
- Distribution System Plan
- Enhanced Customer Engagement
- Asset Condition Assessment
- Benchmarking analysis

Each of the above requirements did not exist when KWHI last filed a CoS application. KWHI is carefully reviewing the filing requirements and expectations of the OEB to ensure it prepares a CoS application that will meet the OEB's expectations.

Due to the reasons noted above, KWHI respectfully requests a deferral of its COS to January 1, 2020. Should the Board have any questions regarding this matter please contact the undersigned.

Respectfully submitted,

Original Signed By:

Margaret Nanninga, MBA, CPA, CGA
Vice President Finance & CFO