

February 06, 2019

Ontario Energy Board
P.O. Box 2319 27th Floor
2300 Yonge Street Toronto,
Ontario M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary
Regarding: Request for deferral of 2020 Cost of Service Application.

Dear Ms. Walli,

Hearst Power respectfully requests a deferral from this rebasing schedule and requests a Cost of Service application scheduled to be filed for rates effective May 1, 2020. The utility's justifications for its request are explained below.

Preamble

As noted in the Board's letter dated November 27, 2018, Hearst Power Distribution Co. Ltd. (Hearst Power) was scheduled to file a Cost of Service application for rates effective in 2020. In its decision to seek a deferral, Hearst Power considered several factors in determining whether this option was possible and whether it would be in the best interest of all stakeholders but most importantly Hearst Power's customers. In doing so, the utility looked at the following factors;

- Aligning rates with the utility's fiscal year.
- Past financial results.
- Past safety and reliability performances.
- Time and expenses related to a Cost of Service Application.

Aligning rates with the utility's fiscal year.

Hearst Power believes the benefits of aligning rate year with the fiscal year are considerable in that aligning distribution rates with the expenses upon which the rates are granted serve to eliminate certain administrative burdens.

Past financial results

On Financial Results, Hearst Power notes that since its 2015 Cost of Service, the utility's Return on Equity ("ROE") has been extremely stable. The table below shows a summary of the utility historical financial performance including its ROE from 2015 Board Approved to 2017.

Hearst Power Financial Results

	2015 BA	2016	2017
	CoS		
Distribution Revenues	1,058,101	1,124,977	1,167,290
OM&A Expenses	1,019,224	1,047,826	1,092,597
Depreciation & Amortization	131,627	94,346	100,725
Deemed Interest Expenses	56,761	80,946	77,091
PILs / Income Taxes	0	12,123	2,661
Other Revenue	229,503	170,833	155,332
Utility Net Income	79,992	75,315	71,018
Achieved ROE	8.48%*	8.33%	8.19%
Deemed ROE	9.19%	9.19%	9.19%

Hearst Power's "Achieved" Rate of Return for 2015 Board Approved to 2017 was reported as – 8.48%*, 8.33% and 8.19% respectively. As shown in the table above, the utility's ROE has been within the 300-basis points threshold for the last two years indicating that the utility is not over-collecting nor are they under-collecting. Hearst Power's financial results indicated that the utility is in a strong financial position and does not need to rebase its distribution rates at this time.

**In 2015 our actual rate of return achieved was -24.02%, but when removing the one-time disposition of our Smart Meter DVA (including all revenues and cost associated), which was the main driver for this under-earning in 2015, Hearst Power Distribution shows an Achieved ROE% of 8.48%.*

Past safety and reliability performances

With respect to Safety and Reliability measures, Hearst Power's scorecard measures indicate that the utility is maintaining its scores at a more than adequate level.

Hearst Power SQI Results

Indicator	OEB Minimum Standard	2015	2016	2017
Low Voltage Connections	90.0%	100.0%	100.0%	100.0%
High Voltage Connections	90.0%	100.0%	N/A	100.0%
Appointment Scheduling	90.0%	100.0%	100.0%	100.0%
Appointments Met	90.0%	100.0%	100.0%	100.0%
Rescheduling a Missed Appointment	100.0%	N/A	N/A	N/A
Telephone Accessibility	65.0%	89.20%	87.30%	89.20%
Telephone Call Abandon Rate	10.0%	N/A	N/A	N/A
Written Response to Enquires	80.0%	100.0%	100.0%	100.0%

Emergency Urban Response	80.0%	100.0%	100.0%	100.0%
Emergency Rural Response	80.0%	N/A	N/A	N/A
Reconnection Performance Standard	85.0%	100.0%	100.0%	100.0%
Micro-embedded Generation Facilities	90%	N/A	N/A	N/A

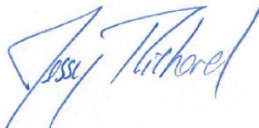
This section excludes outages caused by a Loss of Supply	2015	2016	2017
SAIDI	2.00	3.28	4.33
SAIFI	0.71	1.73	1.77

In considering a deferral request for the upcoming rate year, Hearst Power has also evaluated whether the time and expense of a COS application would be to the benefit of the utility and its customers. In careful consideration of all aspects of a rebasing application, Hearst Power does not feel a COS application would be to the benefit of the ratepayers or the utility given its strong financial indicators. As such, the utility requests to set rates using the Price Cap IR rate setting method for the upcoming rate year.

Given all of the above arguments, Hearst Power feels it is reasonable and justifiable for the OEB to approve the utility's request for a deferral in filing its Cost of Service application.

Should the board have questions regarding this matter please contact Jessy Richard at the information below.

Respectfully Submitted,



Jessy Richard
General Manager

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