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Commission de l'énergie de l'Ontario
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BY E-MAIL

May 20, 2014

Mr. James Keech, P.Eng.
President and Chief Executive Officer
Kingston Hydro Corporation
P.O. Box 790
Kingston ON K7L 4X7

Dear Mr. Keech:

Re: Applications for 2015 Electricity Rates

The Board is in receipt of your letter requesting that Kingston Hydro Corporation be permitted to defer the rebasing of its rates beyond the 2015 rate year.

The Board has considered the rationale for deferral set out in your letter, as well as the following:

- Kingston Hydro's financial position, as shown in its audited financial statements and financial reporting to the Board; and
- Kingston Hydro's 3-year performance with respect to system reliability indicators and electricity service quality requirements/indicators, as reported to the Board.

Based on these considerations, the Board has concluded that it will not require Kingston Hydro's 2015 rates to be set on a cost of service basis. The Board acknowledges Kingston Hydro's intention to select the Custom Incentive Rate-setting option for a future period and that Kingston Hydro is intending to request alignment of its rate and fiscal years. While Kingston Hydro did not specify that the Custom IR option will be selected beginning with the 2016 rate year, the Board notes that a filing for such an application would be due in April 2015 given the intent to align the rate and fiscal years.

Accordingly, the Board will not place Kingston Hydro on the list of distributors whose rates will be scheduled for rebasing under the Price Cap Incentive Rate-setting option for the 2016 rate year. If Kingston Hydro's plans change, the Board expects Kingston Hydro to notify the Board in a timely manner.

If Kingston Hydro intends to seek a rate adjustment for 2015 rates, the Board expects Kingston Hydro to adhere to the process for Price Cap IR applications for the 2015 rate year as may be determined by the Board.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary