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BY E-MAIL

October 16, 2015

Larry McCabe
West Coast Huron Energy Inc.
57 West Street
Goderich ON N7A 2K5

Dear Mr. McCabe:

**Re: West Coast Huron Energy Inc.
2014 Return on Equity Performance
EB-2015-0111**

On September 30, 2015, the Ontario Energy Board publicly released scorecard results for all of Ontario's electricity distributors. These scorecards measure how well Ontario's electricity distributors are performing each year, and are designed to encourage electricity distributors to operate effectively, continually seek ways to improve productivity and focus on improvements that their customers value.

The scorecard includes a measure of each utility's regulatory return on equity (ROE). In the course of a sector-wide review of all distributors' ROE performance conducted in the summer of 2015, OEB Audit and Performance Assessment staff concluded that West Coast Huron Energy Inc.'s regulatory ROE measured 14.84% in 2014 – 586 basis points above the target ROE that was the basis upon which its rates were established. A summary of staff's assessment is attached. Staff also estimated that this level of overearnings represents a cost to residential customers of roughly \$0.68 per month.

Under OEB policy, a regulatory review may be triggered if a distributor's earnings are outside of a dead band of +/- 300 basis points from the OEB-approved return on equity. Any such review will be prospective, and could result in modifications, termination or the continuation of the respective Price Cap IR or Annual IR Index plan for that distributor.

Given the level of returns earned by West Coast Huron Energy Inc. in 2014, it is appropriate that the OEB consider whether an amendment to West Coast Huron Energy Inc.'s rate plan is warranted, in order to ensure that customers pay distribution rates that better reflect the value of the service provided to them.

West Coast Huron Energy Inc. is scheduled to file a cost of service application in 2017, and in the meantime may apply on November 2, 2015 for an annual adjustment to its rates as part of its Price Cap Incentive rate-setting plan. West Coast Huron Energy Inc. is reminded that a distributor filing an incentive rate-setting application may choose to file only for the transition to fixed rates for the residential class and for disposition of Group 1 deferral and variance account balances in accordance with OEB policies, without applying for adjustments to its base rates. Should West Coast Huron Energy Inc.'s application include a request for the inflationary base rate adjustment for 2016, the OEB will assess the appropriateness of granting West Coast Huron Energy Inc.'s request for an incremental adjustments to its base rates for the 2016 rate year given the earnings performance measured in 2014. It may also consider whether its 2016 rates should be set on an interim basis, so that earnings for 2016 can be considered in West Coast Huron Energy Inc.'s next rebasing application. These evaluations will form part of the application process in the current proceeding, and include the opportunity for West Coast Huron Energy Inc. to present its position and bring forward relevant information to the OEB.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Appendix A

2014 Return on Equity Sector Review

West Coast Huron Energy Inc.

ROE Performance Summary

EB-2015-0111

October 16, 2015

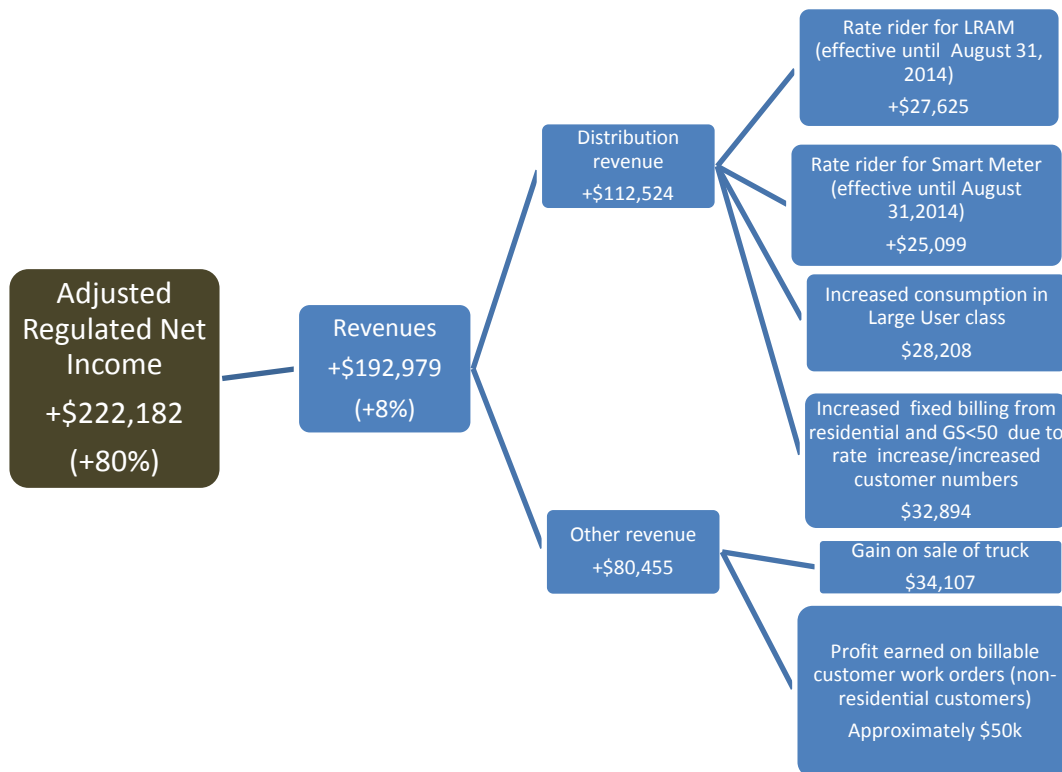
2014 ROE Over-Earner: [West Coast Huron Energy Inc. \(West Coast Huron\)](#)

West Coast Huron is scheduled to file an IRM application for 2016 rates.

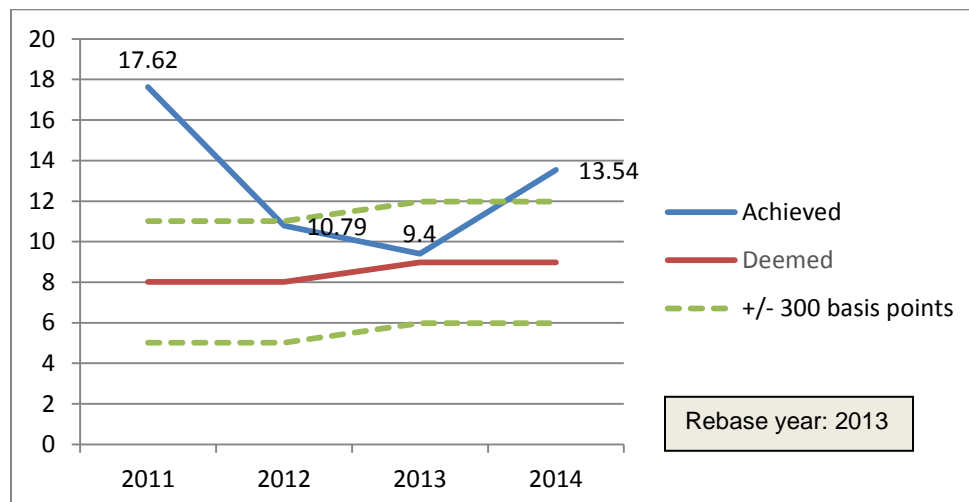
2014 ROE performance – 14.84% (286 basis points over the Deadband)

Components of the ROE calculation	Deemed 2013 EDR	Achieved 2014	Variance	Variance %
ROE \$ approved in CoS /Adjusted Regulated Net Income	\$278,881	\$501,063	\$222,182	80%
Regulated Deemed Equity	\$3,105,574	\$3,376,643	\$271,069	9%
ROE	8.98%	14.84%	5.86%	

Main Drivers for Over-Earning in 2014



Historical ROE performance (2011 to 2014) – Two Year Over-Earners



In 2014, West Coast Huron Energy achieved earnings above deemed ROE mainly due to the impact of the one-time factors listed below, a distribution rate increase and a consumption increase by a large user. The utility's rates were rebased effective September 1, 2013. As a result the effect of rate increases and rate riders impacted the 2013 income for only 4 months in 2013.